8/4

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

101 PARK AVENUE

NEW YORK, NEW YORK 10178

(212) 808-7800

#45

WASHINGTON, DC
LOS ANGELES, CA
CHICAGO, IL
STAMFORD, CT
PARSIPPANY, NJ

BRUSSELS, BELGIUM
HONG KONG

AFFILIATE OFFICES
BANGKOK, THAILAND
JAKARTA, INDONESIA
MANILA, THE PHILIPPINES
MUMBAI, INDIA
TOKYO, JAPAN

FACSIMILE
(212) 808-7897
www.kelleydrye.com

WRITER'S DIRECT LINE
(212) 808-7684

WRITER'S E-MAIL
Mferguson@kelleydrye.com

February 28, 2001

TRADEMARK TRIAL AND APPEAL BOARD
01 MAR -1 PM 3:02

BY HAND

Assistant Commissioner for Trademarks
2900 Crystal Drive
Arlington, Virginia 22202-3513

Attention: Trademark Trial and Appeal Board

Re: Galleon S.A., Bacardi-Martini U.S.A., and Bacardi & Company Limited v. Havana Club Holding, S.A., d/b/a HCH, S.A.
Cancellation No: 24,108

Dear Sir or Madam:

The above referenced proceeding for cancellation of Registration No. 1,031,651 for HAVANA CLUB was suspended on March 17, 1997 pending termination of the federal civil litigation entitled *Havana Club Holding, S.A., et al. v. Galleon, S.A. et al*, 96 Civ. 9655 (S.D.N.Y.).

A judgment in that civil action cancelling Havana Club Holding's right to the aforesaid Registration No. 1,031,651 was issued by the United States District Court of the Southern District of New York on August 12, 1997. *See, Havana Club Holding, S.A. et al. v. Galleon S.A.*, 974 F. Supp. 302 (S.D.N.Y. 1997) (copy enclosed). A copy of that judgment was previously filed with the Trademark Trial and Appeal Board.

On February 4, 2000, the United States Court of Appeals for the Second Circuit affirmed the judgment of the District Court. *See, Havana Club Holding, S.A. et al. v. Galleon S.A. et al.*, 203 F.3d 116 (2d Cir. 2000) (copy enclosed).

On October 2, 2000, the Supreme Court of the United States denied Havana Club Holding's petition for writ of certiorari. *See, Havana Club Holding, S.A. et al. v. Bacardi & Company Limited et al.*, 121 S.Ct. 277 (Oct. 2, 2000) (copy enclosed).

In light of the foregoing, Petitioners hereby request that the judgment of the United States District Court for the Southern District of New York cancelling Havana Club Holding's rights in Registration No. 1,031,651 be given effect, that judgment in Cancellation Proceeding No. 24,108 be entered in favor of petitioners and that Registration No. 1,031,651 be cancelled in the name of Havana Club Holding, S.A.

Respectfully submitted,

Margaret Ferguson

Margaret Ferguson

MF:mc

Enclosures

United States District Court,
S.D. New York.

HAVANA CLUB HOLDING, S.A. and Havana Club International, S.A., Plaintiffs,
v.
GALLEON S.A., Bacardi-Martini USA, Inc., Gallo Wine Distributors, Inc., G.W.D. Holdings, Inc. and Premier Wine and Spirits, Defendants.

No. 96 CIV. 9655(SAS).

Aug. 12, 1997.

Owner and licensee of "Havana Club" mark sought to enjoin infringement of mark. Alleged infringers filed counterclaim for cancellation of mark and moved for summary judgment on their counterclaim. The District Court, Scheindlin, J., held that: (1) Cuban entity's assignment of mark was invalid under Cuban Assets Control Regulations (CACR); (2) rights in mark reverted to Cuban entity upon invalidation of assignment; and (3) owner and licensee were entitled to amend complaint.

Motion for summary judgment denied.

West Headnotes

[1] War and National Emergency ⚿507
402k507

Decisions of Office of Foreign Asset Control (OFAC) regarding issuance or revocation of licenses for transfers of property in which Cuban entity has an interest are not reviewable by district court. 31 C.F.R. § 515.801(b)(6) (1996).

[2] War and National Emergency ⚿507
402k507

Under Cuban Assets Control Regulations (CACR), specific license from Office of Foreign Asset Control (OFAC), rather than general license, was necessary for Cuban entity to transfer its rights in trademark "Havana Club." Trading With the Enemy Act, §§ 1-43, as amended, 50 App.U.S.C.A. §§ 1-44; 31 C.F.R. § 515.318.

[3] Statutes ⚿174
361k174

Act of Congress ought never to be construed to violate law of nations if any other possible construction remains.

[4] Trade Regulation ⚿137
382k137

[4] Treaties ⚿6
385k6

[4] War and National Emergency ⚿501
402k501

Cuban Assets Control Regulations (CACR) constitute an implied, temporary repeal of General Inter-American Convention for Trade Mark and Commercial Protection.

[5] Constitutional Law ⚿251.3
92k251.3

Due process requires that government officials refrain from acting in an irrational, arbitrary, or capricious manner. U.S.C.A. Const.Amend. 14.

[6] Constitutional Law ⚿287.1
92k287.1

[6] Trade Regulation ⚿137
382k137

Due process clause was not violated by denial of license by Office of Foreign Assets Control (OFAC) that would have permitted transfer of trademark registration by Cuban entity; effort to thwart flow of funds into Cuba provided rational basis for OFAC's distinction between registrations and assignments. U.S.C.A. Const.Amend. 14.

[7] War and National Emergency ⚿507
402k507

Registration of "Havana Club" trademark was "property" within scope of Trading with the Enemy Act (TWEA) and Cuban Assets Control Regulations (CACR), and thus specific license from Office of Foreign Assets Control (OFAC) was required for Cuban entity to transfer mark. Trading With the Enemy Act, §§ 1- 43, as amended, 50 App.U.S.C.A. §§ 1-44; 31 C.F.R. §§ 515.201(b)(1), 515.311.

[8] Trade Regulation ⚿282

382k282

Cancellation of registration of trademark was not warranted upon ruling that assignment of mark by Cuban entity and another subsequent assignment were invalid; rather, rights reverted to Cuban entity.

[9] Federal Civil Procedure ⚿211
170Ak211

[9] Trade Regulation ⚿101.1
382k101.1

Original owner of trademark "Havana Club" was a necessary party in case involving assignment of mark from owner's assignee to subsequent assignee, where both assignments were invalid and of no effect.

[10] Federal Civil Procedure ⚿201
170Ak201

When court believes that absentee may be needed for just adjudication, it may raise compulsory party joinder on its own motion. Fed.Rules Civ.Proc.Rule 19, 28 U.S.C.A.

[11] Federal Civil Procedure ⚿851
170Ak851

If claim would be futile, leave to amend should not be granted; amendment is considered futile if amended pleading fails to state claim or would be subject to successful motion to dismiss on some other basis. Fed.Rules Civ.Proc.Rule 15(a), 28 U.S.C.A.

[12] Trade Regulation ⚿331
382k331

In order to prevail on claim of trademark infringement in violation of Lanham Act, plaintiff must show that it has a valid mark that is entitled to protection under Act, and that use of defendant's mark infringes plaintiff's mark. Lanham Trade-Mark Act, § 32(1), 15 U.S.C.A. § 1114(1).

[13] Trade Regulation ⚿544
382k544

Plaintiffs did not have standing to advance claim of trademark infringement under General Inter-American Convention for Trade Mark and Commercial Protection, where plaintiffs had no rights to mark.

[14] Trade Regulation ⚿152
382k152

Trade name as defined by federal law cannot be registered under Lanham Act. Lanham Trade-Mark Act, § 45, 15 U.S.C.A. § 1127.

[15] Trade Regulation ⚿334.1
382k334.1

Test of infringement of trade names is likelihood of confusion. Lanham Trade- Mark Act, § 45, 15 U.S.C.A. § 1127.

[16] Trade Regulation ⚿563
382k563

Plaintiffs stated actionable claim to protect trade name "Havana Club" under Lanham Act by alleging that they had used name in a manner that identified their business of selling rum, and that use of name by defendants would lead to consumer confusion and error. Lanham Trade-Mark Act, § 44(g, h), 15 U.S.C.A. § 1126(g, h).

[17] Trade Regulation ⚿563
382k563

Plaintiffs stated actionable claim to protect trade name "Havana Club" under General Inter-American Convention for Trade Mark and Commercial Protection by alleging that defendants' infringing mark was identical with or deceptively similar to plaintiffs' and that plaintiffs had used trade name in Cuba in connection with sale of rum.

***304** Michael Krinsky, Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C., New York City, Charles Sims, Proskauer, Rose, LLP, New York City, for Plaintiffs.

William R. Golden, Jr., Margaret E. Ferguson, Kelley, Drye & Warren, LLP, New York City, for Defendants.

OPINION AND ORDER

SCHEINDLIN, District Judge:

Defendants move for summary judgment pursuant to Rule 56 of the Federal Rules of Civil Procedure on their counterclaim for cancellation of the "Havana Club" trademark and design registration in the United States Patent and Trademark Office ("PTO"). Defendants first contend that Plaintiffs' attempt to secure their rights to the mark without approval of the Office of Foreign Assets Control ("OFAC") stripped Plaintiffs of any rights to the mark and thus caused the mark to be abandoned. In opposition, Plaintiffs contend that their acquisition of rights to the mark was valid under the Cuban Assets Control Regulations ("CACR"), as well as the General Inter-American Convention for Trade Mark and Commercial Protection ("Inter-American Convention"). Plaintiffs claim, in the alternative, that there was no requirement that OFAC approve the assignment. Defendants additionally seek cancellation of Plaintiffs' registration of the mark based on the theory that Plaintiffs have no right to use the mark.

Plaintiffs move to amend their complaint to include two additional causes of action against Defendants. Plaintiffs also move to dismiss certain counterclaims raised by Defendants. For the reasons set forth below, Defendants' motion is granted, in part, and denied, in part. Plaintiffs' motion to amend their complaint is granted, in part, and denied, in part. Plaintiffs' motion to dismiss certain of Defendants' counterclaims is denied without prejudice.

I. DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

A. Legal Standard

A party is entitled to summary judgment when there is "no genuine issue of material fact" and the undisputed facts warrant judgment for the moving party as a matter of law. See Fed.R.Civ.P. 56(c); Celotex v. Catrett, 477 U.S. 317, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); Anderson v. Liberty Lobby Inc., 477 U.S. 242, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). The burden of demonstrating the absence of a material factual dispute rests on the moving party. See Gallo v. Prudential Residential Svcs., Ltd., 22 F.3d 1219, 1223 (2d Cir.1994). Once that burden is met, the non-moving party must present "significant probative supporting evidence" that a factual dispute exists. Fed.R.Civ.P. 56(e); Anderson, 477 U.S. at 249, 106 S.Ct. at 2510-11.

The court's role is not to try issues of fact, but rather to determine whether issues exist to be tried. See Balderman v. United States Veterans Admin., 870 F.2d 57, 60 (2d Cir.1989); Donahue v. Windsor Locks Bd. of Fire Comm'rs, 834 F.2d 54, 58 (2d Cir.1987). All ambiguities must be resolved and all inferences drawn in favor of the party against whom summary judgment is sought. See Anderson, 477 U.S. at 255, 106 S.Ct. at 2513-***305**(Cite as: 974 F.Supp. 302, *305) 14; Donahue, 834 F.2d at 57, 60. If there is any evidence in the record from which a reasonable inference could be drawn in favor of the non-moving party on a material issue of fact, summary judgment is improper. See Chambers v. TRM Copy Centers Corp., 43 F.3d 29, 37 (2d Cir.1994).

B. Factual Background

1. The Cuban Assets Control Regulations

The CACR were implemented in 1963 under Section 5(b) of the Trading with the Enemy Act of 1917 ("TWEA"), as amended, 50 U.S.C.App. 1-44. Section 5(b) of the Act affords the President "broad authority to impose comprehensive embargoes on foreign countries as one means of dealing with both peacetime emergencies and times of war." Regan v. Wald, 468 U.S. 222, 225-26, 104 S.Ct. 3026, 3029, 82 L.Ed.2d 171 (1984). The CACR, one such embargo, were adopted in response to Cuban efforts to destabilize Latin American governments. Id. at 226, 104 S.Ct. at 3029-30 (citing Presidential Proclamation No. 3447, 3 C.F.R. § 157 (1959-1963 Comp.)).

The President had delegated his powers under the TWEA to the Secretary of the Treasury in 1942. In 1962, the Secretary delegated the administration of foreign assets control regulation to OFAC. See Sardino v. Federal Reserve Bank of New York, 361 F.2d 106, 109 n. 2 (2d Cir.1966). OFAC remains responsible for executing and enforcing economic embargoes and sanctions programs against several countries. See Free Trade with Cuba Act, Hearings on H.R. 2229 Before the Subcomms. on Select Revenue Measures and Trade of the House Comm. on Ways and Means, 103rd Congress 99 (1994) (statement of R. Richard Newcomb, Director of OFAC). In that capacity, OFAC administers the embargo against Cuba pursuant to the CACR.

The CACR prohibit transfers of property, including trademarks, in which a Cuban entity has an interest, except when specifically authorized by the Secretary of the Treasury. See 31 C.F.R. §§ 515.201(b), 515.311. OFAC, acting on behalf of the President, enjoys considerable discretion to authorize otherwise prohibited transactions by way of licenses. See id.

§ 515.801(b)(6). Moreover, OFAC has the same discretion to amend, modify or revoke both the licensing provisions of the CACR, as well as individual licenses, at any time. Id. § 515.805.

2. The Current Controversy

Havana Club rum, produced in Cuba and distributed under the Havana Club trademark, has been exported to over twenty countries since 1973. See Declaration of Luis Francisco Perdomo Hernandez ("Perdomo Decl."), Vice Chairman of the Board of Havana Club Holding, S.A., dated June 6, 1997, ¶ 5. According to Plaintiffs, the sole reason Havana Club rum is not currently sold in this country is that the embargo prohibits its importation, except as accompanying baggage of a returning United States visitor to Cuba. See 31 C.F.R. § 515.560(c)(3); Complaint ¶ 27. Plaintiffs assert that since 1973, the owners of Havana Club rum have intended to sell their rum in the United States as soon as it is legally possible to do so. Complaint ¶ 27. At present, the principal markets for Havana Club rum are Western Europe, Canada, and Mexico, although Havana Club is also sold in Central and South America, and in other markets. Id. at ¶ 25.

Under Section 44 of the Lanham Act, foreign entities are permitted to register trademarks in the United States. 15 U.S.C. § 1126. Pursuant to Section 44, the Havana Club mark was registered in the United States in 1976 by Cubaexport, a Cuban state enterprise, based on Cubaexport's registration of the mark in Cuba. Complaint ¶ 17; 15 U.S.C. § 1126(c). Cubaexport continued to market Havana Club rum internationally from 1972 until 1993. Perdomo Decl ¶ 5.

In 1993, Cubaexport's Havana Club rum business was reorganized to incorporate a foreign partner. See Perdomo Decl. ¶ 11. Cubaexport reached an agreement with Pernod Richard, S.A. ("Pernod"), an international distributor of liquor, to form two companies: (1) Havana Club Holding ("HC Holding"), of which 50% equity and board representation was to be held by a newly formed Cuban company, Havana Rum & Liquors, S.A., and 50% by Pernod; and (2) *306 Havana Club International ("HCI"), which has a 50-50 equity split between Havana Rum & Liquors and Pernod, both through direct holdings and through holdings in HC Holding. See Perdomo Dec. ¶ 12. Plaintiffs allege that all of the assets associated with the Havana Club trademark were transferred as part of this reorganization by Cubaexport to Havana Rum & Liquors, which then transferred them to HC Holding. Id. HC Holding then granted HCI an exclusive license to sell Havana Club rum and to use the Havana Club trademark. Id. The transfer of the trademark in the 1993 reorganization of Cubaexport's Havana Club business was governed by the CACR.

On October 5, 1995, Plaintiffs applied to OFAC for a specific license [FN1] authorizing the assignment of the Havana Club trademark, Registration No. 1,031,651, from Cubaexport to Havana Rum & Liquors, S.A. to Havana Club Holdings, S.A. See Affidavit of Margaret Ferguson ("Ferg.Aff."), attorney for Defendants, May 23, 1997, Ex. E. On November 13, 1995, OFAC issued License No. C-18147, which approved the assignment and authorized all necessary transactions incident to the assignment of the mark. Id. However, on April 17, 1997, OFAC issued a Notice of Revocation stating that "as a result of facts and circumstances that have come to the attention of this Office which were not included in the application of October 5, 1995, License No. C-18147 ... is hereby revoked retroactive to the date of issuance." Id., Ex. G. OFAC did not further explain the grounds for the revocation but did state that any action taken under the license is null and void as to matters under its jurisdiction. See id.

FN1. For an explanation of the difference between a specific license and a general license see pp. 306-307 infra.

[1] OFAC enjoys considerable discretion in granting or revoking licenses, and the CACR permit OFAC to amend, modify, or revoke a license at any time, on its own initiative. See Havana Club Holding, S.A. v. Galleon S.A., 961 F.Supp. 498, 505 (S.D.N.Y.1997). Moreover, the CACR grant OFAC the authority to take such action sua sponte. Id. Because the issuance or revocation of licenses by OFAC is committed to OFAC's discretion, OFAC's decisions are not reviewable by this Court. Id. at 503, 505. Consequently, Defendants contend that because Plaintiffs have failed to obtain a specific license and are unable to challenge OFAC's decision, Plaintiffs cannot validly transfer the United States registration of the Havana Club mark. See Memorandum of Law in Support of Defendants' Motion for Partial Summary Judgment ("Def.Mem.") at 8.

Plaintiffs advance four arguments in response to Defendants' assertion: (1) the general license for United States intellectual property, provided for in the CACR, permitted the assignment of the mark, see 31 C.F.R. § 515.527(a); (2) the Inter-American Convention requires this Court to construe the general license to authorize the assignment of the mark; (3) the Fifth Amendment of the Constitution similarly requires that the general license is sufficient to authorize the assignment; and, in the alternative, (4) the Havana Club mark is not covered by the TWEA and CACR. Each of these arguments is offered to support Plaintiffs' contention that Cubaexport effectively transferred the rights to the mark to Plaintiffs. I turn now to each of these arguments.

C. Discussion

1. Plaintiffs' Application Under the CACR

[2] Plaintiffs argue that although they applied for a specific license to transfer the trademark, the general license provided in the CACR is sufficient for this purpose. See Plaintiffs' Memorandum of Law in Opposition to Motion for Partial Summary Judgment ("Pl.Mem.") at 4. The CACR creates both general licenses, which permit classes or categories of transactions with Cuban nationals, See, e.g., 31 C.F.R. § 515.542 (authorizing "[a]ll transactions of common carriers incident to the receipt of mail between the United States and Cuba"), and specific licenses, which require individualized determinations and approval by OFAC. See id. § 515.801. A general license, furthermore, "is any license or authorization the terms of which are set *307 forth [in the CACR]." 31 C.F.R. § 515.318. The general license pertaining to United States intellectual property authorizes "[t]ransactions related to the registration and renewal in the United States Patent and Trademark Office or the United States Copyright Office of patents, trademarks, and copyrights in which the Government of Cuba or a Cuban national has an interest...." 31 C.F.R. § 515.527(a) (emphasis added).

By the express terms set forth in this section, the general license allows for the registration and renewal of trademarks. It does not, however, address the question of whether a registration may be assigned to an individual or corporation. Because the terms of the general license do not contain express authorization for the transfer of rights to trademarks, an individual or company seeking to assign a trademark is therefore required to obtain a specific license. A specific license "is any license or authorization issued pursuant to [the CACR] but not set forth in [the CACR]." 31 C.F.R. § 515.318.

Here, the participation of Cuban entities in a transaction involving United States property triggers the CACR. The particular transaction at issue-- the assignment of the United States trademark--is not expressly permitted by the general license governing intellectual property. Thus, because Plaintiffs seek to engage in a transaction covered by the CACR but not expressly permitted therein, Plaintiffs' transfer of the mark is only permitted by OFAC's issuance of a specific license.

Moreover, on December 19, 1996, the Director of OFAC, R. Richard Newcomb, informed Defendants' counsel that the

> general license allows only for the registration and renewal of intellectual property; § 515.527 does not convey to the registrant the authority to assign the registrant's interest in a patent, trademark or copyright registered in the United States to another person. Such an assignment would require authorization by OFAC in the form of a specific license.

Ferg. Aff., Ex. F. [FN2] Because Congress has not "directly spoken to the precise question at issue," the court must sustain the Director's interpretation so long as it is "based on a permissible construction of the statute." Auer v. Robbins, 519 U.S. 452, ----, 117 S.Ct. 905, 909, 137 L.Ed.2d 79 (1997) (quoting Chevron U.S.A. v. Natural Res. Def. Council, 467 U.S. 837, 843, 104 S.Ct. 2778, 2781-82, 81 L.Ed.2d 694 (1984)). The Supreme Court has long recognized "that considerable weight should be accorded to an executive department's construction of a statutory scheme it is entrusted to administer." Chevron U.S.A. v. Natural Res. Def. Council, 467 U.S. at 844, 104 S.Ct. at 2782.

FN2. Although Newcomb's interpretation is found in an affidavit from Defendants' counsel, the form of Newcomb's comments does not render them unreliable. The communication is consistent with statements OFAC has made to Plaintiffs. There is no reason to suspect that the interpretation made by OFAC does not reflect the agency's fair and considered judgment on the matter. See Auer v. Robbins, 519 U.S. 452, ----, 117 S.Ct. 905, 912, 137 L.Ed.2d 79 (1997) (finding that the court may rely upon an interpretation of a federal statute by the Secretary of Labor in an amicus brief).

Both the express terms of the general license and my analysis of the relevant CACR provisions compel the conclusion that OFAC has properly construed the statute to preclude a transfer under the general license. Accordingly, a specific license was required for the assignment of the Havana Club trademark. Plaintiffs' use of the general license was insufficient for this purpose. [FN3]

FN3. Plaintiffs own October 19, 1995 application to OFAC to obtain a specific license suggests that, prior to OFAC's revocation, Plaintiffs would have agreed with this conclusion.

2. The Inter-American Convention

Plaintiffs next argue that the Inter-American Convention requires that the general license be construed to permit the assignment of trademarks. The Inter-American Convention, a multi-lateral regional trademark treaty between the United States and several Latin American nations, compels signatory nations to grant to the nationals of other signatory nations the same rights and remedies which their laws extend to their own nationals. See Inter-American Convention, ch. I, art. 1, 46 Stat. at 2912. The United States and Cuba are both signatory *308 nations to the Convention. Treaties In Force: A List of Treaties and Other International Agreements of the United States In Force on January 1, 1996, 373 (June 1996).

Article 11 of the Inter-American Convention provides that

> the transfer of the ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

Inter-American Convention, ch. II, art. 11, 46 Stat. at 2922-2924. In the spirit of according reciprocal rights between signatory nations, Article 11 binds the United States and all other member nations [FN4] to give effect to and record upon its registry a valid transfer of a trademark that has occurred in another member nation. Accordingly, Plaintiffs argue, the transfer of a trademark in Cuba has the effect of transferring the trademark in the United States, and the United States is obligated to record this transfer on its registry. See Pl. Mem. at 6.

FN4. The signatory nations to the Inter-American Convention are Columbia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru, and the United States. Treaties in Force, 373, 1996.

[3] Plaintiffs further argue that an irreconcilable conflict between the CACR and the Inter-American Convention arises if the general license does not allow for the transfer in the United States of a transfer that was valid in Cuba. Plaintiffs correctly invoke the principle that "an act of Congress ought never to be construed to violate the law of nations if any other possible construction remains." Sale v. Haitian Centers Council, Inc., 509 U.S. 155, 178 n. 35, 113 S.Ct. 2549, 2562 n. 35, 125 L.Ed.2d 128 (1993) (quoting Murray v. The Charming Betsy, 6 U.S. (2 Cranch) 64, 118, 2 L.Ed. 208 (1804)). See Pl. Mem. at 6. However, construing the Inter-American Convention as Plaintiffs suggest would circumvent the CACR's provisions regarding general and specific licenses and OFAC's unreviewable interpretation of the CACR. The issue then is whether the CACR supersedes the Inter-American Convention.

Under our constitutional system, statutes and treaties are both the supreme law of the land, and the Constitution establishes no order of precedence between them. U.S. Const. art. VI, cl. 2. The Supreme Court has "repeatedly taken the position that an Act of Congress, which must comply with the Constitution, is on a full parity with a treaty, and that when a statute which is subsequent in time is inconsistent with a treaty, the statute to the extent of conflict renders the treaty null." Reid v. Covert, 354 U.S. 1, 18, 77 S.Ct. 1222, 1231, 1 L.Ed.2d 1148 (1957). The classic enunciation of the principle governing conflicting treaties and statutes is that in Whitney v. Robertson, 124 U.S. 190, 194, 8 S.Ct. 456, 458, 31 L.Ed. 386 (1888):

> By the Constitution a treaty is placed on the same footing, and made of like obligation, with an act of legislation. Both are declared by that instrument to be the supreme law of the land, and no superior efficacy is given to either over the other. When

the two relate to the same subject, the courts will always give effect to both, if that can be done without violating the language of either; but if the two are inconsistent, the one last in date will control the other....

See also Blanco v. United States, 775 F.2d 53, 61 (2d Cir.1985) (quoting Whitney in a discussion of the conflicting Public Vessels Act of 1925 and the 1928 Honduras Act). Although repeals by implication are not favored, the Supreme Court has articulated two well-settled categories of implied repeals:

(1) Where provisions in the two acts are in irreconcilable conflict, the later act to the extent of the conflict constitutes an implied repeal of the earlier one; and (2) if the later act covers the whole subject of the earlier and is clearly intended as a substitute, it will operate similarly as a repeal of the earlier act.

***309** Posadas v. National City Bank of New York, 296 U.S. 497, 503, 56 S.Ct. 349, 352, 80 L.Ed. 351 (1936). In either case, the intention of the legislature must be clear and manifest; otherwise, the later act is to be construed as a continuation of, and not a substitute for, the first act. See id.

[4] The CACR, enacted in 1963, were issued 32 years after the ratification of the 1931 Inter-American Convention. Moreover, they were meant to be temporary. Thus, construing the CACR presents a unique scenario. The CACR were issued by President Kennedy, pursuant to § 5(b) of the TWEA. As a result, there is no legislative history. The Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 ("Cuban Liberty Act"), 22 U.S.C. §§ 6021-6091, in which the CACR are now codified, declares that it is United States policy "[t]o take steps to remove the economic embargo of Cuba when the President determines that a transition to a democratic elected government in Cuba has begun." [FN5] 22 U.S.C. § 6061(14). The Cuban Liberty Act, moreover, was enacted 65 years after the Inter-American Convention.

FN5. 22 U.S.C. § 6065 states the conditions constituting "a transition government in Cuba," which include, for example, the legalization of all political activity, 22 U.S.C. § 6065(a)(1); and a public commitment to the organization of free and fair elections for a new government, 22 U.S.C. § 6065(a)(3).

Both OFAC's construction of the CACR and their temporary nature lead to the conclusion that the CACR are not to be understood "as a continuation of" the Inter-American Convention. OFAC's determination that the general license does not allow for the transfer of the trademark, which would be permitted under the Inter-American Convention, strongly suggests that the CACR constitutes an implied repeal of this earlier convention. The CACR appear to be a temporary substitute for the Inter-American Convention, among other treaties and conventions. [FN6] Once the CACR are lifted, transactions pursuant to the Inter-American Convention and other treaties will be recognized once again.

FN6. The Paris Convention, as well as the Agreement on Trade-Related Aspects of Intellectual Property Rights, incorporated in the Uruguay Round Agreement Act, may have also allowed for the transfer of the registration in the absence of the CACR.

The passage in 1996 of the Cuban Liberty Act also supports this conclusion. One purpose of the Act is to "strengthen international sanctions against the Castro government." 22 U.S.C. § 6022(2). The Act also states that the President shall instruct the Secretary of the Treasury and Attorney General to fully enforce the provisions of the CACR. 22 U.S.C. § 6032(c). Moreover, it is the policy of the United States, upon the President's determination that a democratically elected government exists in Cuba, to "support the reintegration of the Cuban Government into Inter-American organizations ...." 22 U.S.C. § 6061(13).

Plaintiffs' argument runs counter to the underlying policies of the CACR. The interests advanced by the CACR are (1) to limit funds which Cuba may use to promote activities that may be harmful to the United States; (2) to use blocked funds for leverage for negotiations with the Cuban Government; and (3) to retain control over blocked funds for possible use or vesting in settlement of American claims. See De Cuellar v. Brady, 881 F.2d 1561, 1569 (11th Cir.1989); Capital Cities/ABC, Inc. v. Brady, 740 F.Supp. 1007, 1013 n. 13 (S.D.N.Y.1990); see also Cheng Yih-Chun v. Federal Reserve Bank of New York, 442 F.2d 460, 465 (2d Cir.1971). The inclusion of Pernod as a partner in the reorganization of Havana Rum & Liquors allowed hard currency to flow into Cuba. See Reply Affidavit of Margaret Ferguson ("Reply Ferg. Aff."), June 16, 1997, Ex.

D. (Perdomo's deposition describes Pernod's payment of an unspecified price to Havana Rum & Liquors in exchange for the mark). Although the facts are not entirely clear, Pernod engaged in a transaction with Havana Rum & Liquors in order to gain a 50% percent interest in both HC Holding, the intended assignee of the trademark, and HCI, the intended licensee of the mark. Such a transaction, in which Pernod exchanged currency for rights to the mark, ***310** flies in the face of the CACR's aim to limit the flow of funds into Cuba. [FN7]

FN7. Although OFAC failed to elaborate on its decision to revoke Plaintiffs' specific license, the "facts and circumstances" which later came to the attention of OFAC apparently concerned the incorporation of Pernod into the ownership of HC Holding and HCI. Plaintiffs' October 19, 1995 application, filed by Plaintiffs' counsel, stated that "each of the assignors and assignees are nationals of Cuba." Plaintiffs' own papers indicate that Pernod, one of the parties involved in the reorganization, is not a national of Cuba. See Perdomo Dec. ¶ 11 (noting that Pernod is a "French liquor distributor").

As a result, Article 11 of the Inter-American Convention cannot survive the CACR or provide a means of transferring the registration.

3. Due Process

[5][6] Plaintiffs argue that under the due process standards applicable to the CACR, the distinction between an assignment and a new registration would neither be "the product of a deliberate and rational choice" nor "have a reasonable basis." See Pl. Mem. at 7 (quoting Richardson v. Simon, 560 F.2d 500, 505 (2d Cir.1977)). "[D]ue process requires that government officials refrain from acting in an irrational, arbitrary or capricious manner." Pollnow v. Glennon, 757 F.2d 496, 501 (2d Cir.1985). Plaintiffs, however, fail to consider the basic principles of the CACR. As noted above, the CACR are designed, in part, to prevent the flow of hard currency into Cuba which may be used to promote activities adverse to the interests of the United States. Capital Cities/ABC, Inc. v. Brady, 740 F.Supp. at 1013 n. 13. The registration or renewal of a trademark, as authorized by the general license, will generally not promote the flow of funds into Cuba. In such a transaction, an individual or corporation simply seeks to gain protection or renew protection of a trademark. However, the transfer of a registration creates the opportunity for an individual or corporation to purchase the registration from a Cuban entity, thereby allowing hard currency to enter Cuba. The effort to thwart the flow of funds into Cuba provides a rational basis for OFACs distinction between registrations and assignments.

4. The Scope of "Property" Under the CACR

[7] Finally, Plaintiffs contend that no OFAC license, general or specific, was needed to transfer the mark because the registration is not property within the scope of the TWEA or the CACR. See Pl. Mem. at 11. The CACR covers,

> [a]ll dealings in, including, without limitation, transfers, withdrawals, or exportations of, any property or evidences of indebtedness or evidences of ownership of property by any person subject to the jurisdiction of the United States.

31 C.F.R. § 515.201(b)(1). Section 515.311 provides that the terms "property" and "property interest" or "property interests" shall include "trademarks." See 31 C.F.R. § 515.311. Plaintiffs contend that the federal registration does not create the trademark right; it only recognizes the right acquired through use. See Pl. Mem. at 8 (quoting La Societe Anonyme des Parfums le Galion v. Jean Patou, Inc., 495 F.2d 1265, 1270, n. 5 (2d Cir.1974)). Plaintiffs note that neither HC Holding nor its predecessors have used the trademark within the United States, see Pl. Mem. at 8. Thus, Plaintiffs argue, the trademark has never become common law property nor are there any common law rights in it. Id.

Plaintiffs acknowledge that their registration of the mark evidences alleged rights in the future use of the mark. See Pl. Mem. at 10 ("... an intended future use may confer rights evidenced by a registration."). The CACR unambiguously prohibits all transfers of "evidences of ownership of property by any person subject to the jurisdiction of the United States." 31 C.F.R. § 515.201(b)(1). This section includes the registration of trademarks and prohibits any transaction in which Cuban nationals "at any time ... had any interest of any nature whatsoever, direct or indirect" in the property involved. Id. Plaintiffs' registration of the Havana Club trademark is not only evidence of alleged rights in the mark, but must also be considered "any interest of any nature whatsoever, direct or indirect" in the Havana Club trademark.

***311** Plaintiffs have also satisfied the jurisdictional requirement of § 515.201(b)(1). The Lanham Act compels foreign registrants such as Plaintiffs to designate an agent subject to the jurisdiction of the United States. The Act provides that "if the applicant is not domiciled in the United States he shall designate ... the name and address of some person resident in the United States on whom may be served notices or process in proceedings affecting the mark." 15 U.S.C. § 1051(e). Plaintiff HC Holding designated H. John Campaign, Keith E. Danish and John M. Keene, of Graham, Campaign & McCarthy P.C., in New York, New York for service of notices or process. See Reply. Ferg Aff., Ex. B.

Therefore, in reliance on Plaintiffs' concession that the registration indicates rights to the use of the mark and Plaintiffs' designation of an agent subject to United States jurisdiction, Plaintiffs' attempted transfer of the Havana Club registration fell under the provisions of § 515.201(b)(1) and thus within the scope of the CACR. Plaintiffs' only claim to ownership of the mark is by assignment. Accordingly, Plaintiffs have no rights to the Havana Club trademark.

5. Cancellation of the Mark

[8] Defendants next seek cancellation of the registration because of Plaintiffs' inability to claim rights to the mark. Cancelling the registration under these circumstances, however, would lead to an inequitable adjudication of the matter and neglect the substantial rights of Cubaexport, a party not before this court.

[9] Cubaexport's rights arise out of the invalid transfer of the rights to the mark. The abortive transfer between Cubaexport, Havana Rum & Liquors, and Plaintiffs voids those provisions of the contract relating to the mark, rendering them invalid and of no effect. Cubaexport, Havana Rum & Liquors, and Plaintiffs, as the original parties to the transaction, are returned to the status quo ante. [FN8] Cubaexport, restored as the owner of the registration, inevitably has an interest in the outcome of the registration issue. Thus, Cubaexport is a necessary party to this action.

FN8. Cubaexport registered the mark with the PTO on January 27, 1976 pursuant to 31 C.F.R. § 515.527. See Declaration of Caroline Rule (attorney for Plaintiffs) in support of Motion for Preliminary Injunction, dated December 30, 1996, Ex. B, incorporated by reference in Perdomo Decl. ¶ 6. Cubaexport transferred the mark to Havana Rum & Liquors on October 29, 1993, who transferred the mark to Plaintiff HC Holding on November 23, 1993. HC Holding proceeded to register it on January 12, 1996. See Perdomo Decl. ¶ 1 8, 12, 13, 21

[10] Plaintiffs cannot assert Cubaexport's rights due to the well- established prohibition on jus tertii defenses in trademark cases. See Marshak v. Sheppard, 666 F.Supp. 590, 599 (S.D.N.Y.1987) ("jus tertii should not be allowed as a defense in any trademark case"). However, when a court believes that an absentee may be needed for a just adjudication, it may raise compulsory party joinder on its own motion. See, e.g., Gonzalez v. Cruz, 926 F.2d 1, 5 n. 6 (1st Cir.1991); 4 Richard R. Freer, Moore's Federal Practice, § 19.02[4][a] (3d ed.1997).

Federal Rule of Civil Procedure 19 provides the legal standards for the joinder of necessary parties. Rule 19(a) states, in relevant part that

> [A] person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if ... the person claims an interest relating to the subject of the action and is so situated that the disposition of the action in the person's absence may ... as a practical matter impair or impede the persons's ability to protect that interest.

See Fed.R.Civ.P. 19. Here, Cubaexport is subject to service of process by service on its United States representative. Joining Cubaexport as a party will not affect this Court's jurisdiction.

> [S]everal courts have ruled that "the concept of indispensability does not concern the Court's subject matter jurisdiction as much as it deals with the ability or right of the Court to make an adjudication[:] The major question is whether the court can render a decision which will not impair the rights of the absent party."

*312 6247 Atlas Corporation v. Marine Insurance Co., Ltd., 155 F.R.D. 454, 459 (S.D.N.Y.1994) (quoting Ente Nazionale Idrocarburi v. Prudential Sec. Group, 744 F.Supp. 450, 456 (S.D.N.Y.1990)); see also Lipton v. Nature Co., 781 F.Supp. 1032, 1034 (S.D.N.Y.1992) ("Rule 19 motion regarding indispensable parties ... [is] addressed to the court's equitable discretion. Necessary and indispensable parties can only be determined in the context of the particular litigation; the inquiry must be a fact-based one.").

Cubaexport has a significant business interest in maintaining the registration of its mark. It may reform its agreement with Plaintiffs so that it is once again the company entitled to export the rum under the Havana Club mark after the embargo is lifted. Or, it may seek to renegotiate the assignment of the mark to Plaintiffs after Plaintiffs restructure their corporate organization to comply with the provisions of the CACR. Such opportunities would clearly be impaired if this Court granted Defendants' petition to cancel Cubaexport's registration. Accordingly, Defendants' petition to cancel the registration is denied, and all rights to the registration revert to Cubaexport. However, Plaintiffs rights to the registration are canceled. [FN9]

FN9. Defendants additionally argue that the separation of the trademark from the appurtenant business, the hard assets in Cuba, resulted in an assignment in gross. See Def. Mem. at 15. As a general matter, Defendants are correct in asserting that such a situation may lead to an assignment in gross. However, the principle is inapplicable to the unique circumstances of this matter. Cubaexport and Plaintiffs never had assets in the United States. While the Havana Club trademark may be recognizable by U.S. consumers, the embargo has prevented Plaintiffs and Cubaexport from importing, distributing, selling, or maintaining any assets in this country. Thus, it was impossible for the Plaintiffs and Cubaexport to have separated the mark from the business assets when no assets existed in the United States.

II. PLAINTIFFS' MOTION TO AMEND THEIR COMPLAINT

A. Factual Background

Plaintiffs filed their original complaint on December 24, 1996, seeking to enjoin Defendants from using the words "Havana Club" as part of any trademark, service mark, brand name, trade name or other business or commercial designation in connection with the sale, distribution, advertising or promotion of rum or rum products in the United States. Plaintiffs alleged that such use violates their respective rights under §§ 32 and 43 of the Lanham Act, 15 U.S.C. §§ 1114 and 1125 and have moved for a preliminary injunction pursuant to Federal Rule of Civil Procedure 65.

Plaintiffs now seek leave to file a First Amended Complaint to include two causes of action alleging violations of the Inter-American Convention and additional violations of the Lanham Act. In their third proposed claim for relief, Plaintiffs assert that Defendants used the Havana Club trademark in the United States notwithstanding their knowledge of the prior protection, existence and use of the trademark in other countries that are signatories to the Inter-American Convention, including Cuba. Plaintiffs allege such use violates Article 7 and Chapter IV of the Inter-American Convention and § 44(h) of the Lanham Act. [FN10] In their fourth proposed claim for relief, Plaintiffs assert Defendants used Havana Club as a trademark for rum in the United States notwithstanding that its distinguishing elements consist of a part of Plaintiffs' commercial names, which were previously used by them in Cuba. Plaintiffs allege such use violates Chapter III of the Inter-American Convention and §§ 44(g) and 44(h) of the Lanham Act, 15 U.S.C. §§ 1126(g) and 1126(h).

FN10. Plaintiffs allege in the Preliminary Statement of their First Amended Complaint that Defendants violated Chapter IV of the Inter-American Convention. Plaintiffs, however, fail to assert this allegation in their statement of their third proposed cause of action. Plaintiffs only make passing reference in a footnote to two remedies supplied by Chapter IV in their Memorandum of Law in Support of Motion for Leave to Amend Complaint and fail to refer to Chapter IV in any sense their reply brief. Consequently, Plaintiffs may not amend to assert a claim based on Chapter IV.

B. Legal Standard

[11] Pursuant to Federal Rule of Civil Procedure 15(a), leave to amend a complaint *313 is generally given freely. However, a court may exercise its discretion to deny leave in a number of circumstances. For example, prior to granting leave to amend, a court must examine a proposed claim to determine if it is futile on its face. See Town of New Windsor v. Tesa Tuck, Inc., 919 F.Supp. 662, 678 (S.D.N.Y.1996); Barrett v. U.S. Banknote Corp., 806 F.Supp. 1094, 1098 (S.D.N.Y.1992). If a claim would be futile, leave to amend should not be granted. See Foman v. Davis, 371 U.S. 178, 182, 83 S.Ct. 227, 230, 9 L.Ed.2d 222 (1962). An amendment is considered

futile if the amended pleading fails to state a claim or would be subject to a successful motion to dismiss on some other basis. See, e.g., S.S. Silberblatt, Inc. v. East Harlem Pilot Block-Building 1 Housing Development Fund Co., Inc., 608 F.2d 28, 42 (2d Cir.1979); Chan v. Reno, 916 F.Supp. 1289, 1302 (S.D.N.Y.1996). In deciding a motion to dismiss, the moving party must demonstrate "beyond doubt that the plaintiff can prove no set of facts in support of [its] claim which would entitle [it] to relief." Conley v. Gibson, 355 U.S. 41, 45-46, 78 S.Ct. 99, 102, 2 L.Ed.2d 80 (1957). The court must assume the truth of the allegations contained in the complaint and must construe all reasonable inferences in favor of the plaintiff. See Papasan v. Allain, 478 U.S. 265, 283, 106 S.Ct. 2932, 2943, 92 L.Ed.2d 209 (1986).

C. Discussion

1. The Lanham Act and Inter-American Convention

Under § 44(b) of the Lanham Act, any person whose country of origin is a party to any trademark convention or treaty to which the United States is also a party

> shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this Act.

15 U.S.C. § 1126(b). Individuals or companies that meet the requirements of this section may also seek protection of trade names or commercial names "without the obligation of filing or registration whether or not they form parts of marks." 15 U.S.C. § 1126. Furthermore, such individuals or companies

> shall be entitled to protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

15 U.S.C. § 1126(h).

Plaintiffs assert that the Lanham Act incorporates and implements the provisions of the Inter-American Convention. Chapter 1, Article 1 of the Convention states, in relevant part, that

> [t]he Contracting States bind themselves to grant to the nationals of the other Contracting States and to domiciled foreigners who own a manufacturing or commercial establishment ... in any of the States which have ratified or adhered to the present Convention the same rights and remedies which their laws extend to their own nationals or domiciled persons with respect to trade marks, trade names and the repression of unfair competition....

Inter-American Convention, ch. I, art. 1, 46 Stat. at 2912. Chapter II, Article 7 further provides that the owner of a trademark protected in the United States has the right to oppose the use of an infringing mark by proving that the person using the mark knew of the existence and continuous use of the mark in any member nation in connection with goods of the same class. See Inter-American Convention, ch. II, art. 7, 46 Stat. at 2918.

Under Chapter III, "[t]rade names or commercial names of persons entitled to the benefits of this Convention shall be protected in all contracting States." Inter-American Convention, ch. III, art. 14, 46 Stat. at 2926.

2. Plaintiffs' Proposed Third Claim

[12] In order to prevail on a claim of trademark infringement in violation of the Lanham Act, a plaintiff must show (1) that it has a valid mark that is entitled to protection under the Act, and (2) that use of the defendant's mark infringes plaintiff's mark. Estee Lauder, Inc. v. The Gap, Inc., 108 F.3d 1503, 1508 (2d Cir.1997). See generally Sports Authority, Inc. v. Prime Hospitality Corp., 89 ***314** (Cite as: 974 F.Supp. 302, *314) F.3d 955, 960 (2d Cir.1996); Gruner + Jahr USA Publishing v. Meredith Corp., 991 F.2d 1072 (2d Cir.1993). As discussed above, Plaintiffs fail to meet the threshold requirement of possessing a valid mark. As a result, Plaintiffs cannot seek protection of that mark under the Lanham Act.

[13] Plaintiffs are also unable to advance a claim based on Article 7 of the Inter-American Convention. [FN11] Under Article 7, a party opposing another's use of the mark

> FN11. It is highly unlikely that Plaintiffs can assert a claim under the Inter-American Convention without satisfying the requirements of the Lanham Act.

> may claim for [it]self the preferential right to use

> such mark in the country where the opposition is made ... upon compliance with the requirements established by the domestic legislation in such country and by this Convention.

Inter-American Convention, ch. II, art. 7, 46 Stat. at 2918. (emphasis added). Here, Plaintiffs have not complied with United States law because they have no rights to the mark. As discussed above, Plaintiffs have no rights to the registered mark. Thus, Plaintiffs have no standing to assert a preferential right to use the mark. Plaintiffs, therefore, cannot advance a claim under Article 7.

3. Plaintiffs' Proposed Fourth Claim

[14][15] Plaintiffs seek to protect the "Havana Club" trade name under §§ 44(g) and (h) of the Lanham Act as well as Chapter III of the Inter-American Convention. A trade name as defined by federal law cannot be registered under the Lanham Act. See Application of Walker Process Equipment, Inc., 43 C.C.P.A. 913, 915, 233 F.2d 329, 331 (1956); 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 9.13 (3d ed.1997). The rationale behind this rule is that "a trade name is usually adopted for the purpose of identifying the company and distinguishing it from other producers, rather than for the trademark purpose of identifying goods, and distinguishing them from those produced by other producers." Id. Use of the trade name is the basis for obtaining exclusionary rights; under the Lanham Act, a trade name is "used by a person to identify his or her business or vocation." 15 U.S.C. § 1127. As with trademarks, the test of infringement of trade names is "likelihood of confusion." See Lang v. Retirement Living Publishing Co., 949 F.2d 576, 579-80 (2d Cir.1991).

[16] As noted above, Plaintiffs acknowledge their inability to sell rum in the United States due to the CACR. However, Plaintiffs argue that they have used their trade name in a manner which identifies their business. See First Amend. Compl. ¶ 36. Plaintiffs' use of the trade name abroad, id. ¶ 25; the importation of Havana Club rum into the United States as accompanying baggage, id. at ¶ 28; and the "repeated, extensive, continuous and widespread mention and discussion" of Havana Club rum in United States newspapers and periodicals have all helped to establish in the public mind that Plaintiffs are the producers of Havana Club rum, id. at ¶ 38. Even if Plaintiffs' established use of their trade name were not sufficient to identify them as producers of the rum, the CACR is a temporary suspension of Plaintiffs' ability to use the trade name. See Cuban Cigar Brands N.V. v. Upmann Int'l., Inc., 457 F.Supp. 1090, 1101 (S.D.N.Y.1978) (plaintiff found not to have abandoned mark when prevented from exporting cigars into the United States due to intervention by Cuban government). Without the obstacles of the CACR, Plaintiffs would, as they claim, be able to establish a greater presence in the United States as producers of Havana Club rum. Plaintiffs therefore allege that the use of the Havana Club mark by Defendants will lead to consumer confusion and error. Plaintiffs are permitted to amend their complaint to assert this claim.

[17] Plaintiffs also seek to assert a claim under Chapter III of the Inter- American Convention. Chapter III plainly allows nationals of signatory nations to oppose another's use of an infringing mark. Article 18 of Chapter III states that any owner of a trade name in a signatory nation "may, in accordance with the law and procedure of the country where the proceeding is brought, apply for and obtain an injunction against the use of any commercial name" by proving (a) *315 the infringing mark or commercial name is identical with or deceptively similar to Plaintiffs' commercial name and (b) that prior to Defendants' use, Plaintiffs adopted and used the name. See Inter-American Convention, ch. III, art. 18. Plaintiffs allege Defendants' infringing mark is identical with or deceptively similar to theirs. Plaintiffs also satisfy the use requirement of Chapter III through the use of their trade name in Cuba. Accordingly, Plaintiffs may bring a claim to protect their trade name under the Inter-American Convention.

III. PLAINTIFFS' MOTION TO DISMISS COUNTERCLAIMS

Plaintiffs move to dismiss the following counterclaims: (1) a declaratory judgment that Defendants have "the prior, superior and exclusive right" to use the mark on the basis of the alleged rights of a former Cuban corporation, Jose Arechabala, S.A.; (2) the cancellation of the registration on the belief that Plaintiffs have used the mark to misrepresent the source of the goods in violation of the Lanham Act, 15 U.S.C. § 1064(3); and (3) three separate claims of fraud arising from Cubaexport's original application to register the mark and filing of a declaration of continuing use pursuant to § 8 of the Lanham Act, 15 U.S.C. §

1058.

It is too early to decide these motions. As discussed above, Cubaexport should now be a participant in this action. Cubaexport may seek to raise its own defenses to Defendants' counterclaims and should be given the opportunity to do so. In light of the decision to restore Cubaexport's rights to the mark, Defendants may want to reconsider their counterclaims. Because Plaintiffs' motion is premature, that motion is denied without prejudice to renew at a later date.

IV. CONCLUSION

For the reasons set forth above, Plaintiffs have obtained no rights to the Havana Club trademark via the CACR or the Inter-American Convention. As a result of the invalid transfer, however, Cubaexport's rights to the mark are restored and Defendants' motion for cancellation of Registration No. 1,031,651 is denied. Plaintiffs' motion to amend their complaint is granted, in part, and denied, in part. Plaintiffs' motion to dismiss certain of Defendants' counterclaims is denied without prejudice. A status conference is scheduled for August 14, 1997 at 10 a.m.

SO ORDERED.

END OF DOCUMENT

United States Court of Appeals,
Second Circuit.

HAVANA CLUB HOLDING, S.A., Havana Club International, S.A., Plaintiffs-Counter-Defendants-Appellants,
v.
GALLEON S.A., Bacardi-Martini USA, Inc., Defendants-Counter-Claimants-Appellees,
Gallo Wine Distributors, Inc., G.W.D. Holdings Inc., Premier Wine and Spirits, Defendants-Appellees.

Docket No. 99-7582

Argued: Oct. 13, 1999
Decided: Feb. 4, 2000

Cuban rum producer brought action against American rum seller, alleging trademark infringement and false designation of origin. The United States District Court for the Southern District of New York, Shira A. Scheindlin, J., 62 F.Supp.2d 1085, entered judgment for American seller, and appeal was taken. The Court of Appeals, Jon O. Newman, Circuit Judge, held that: (1) regulation authorizing transactions "related to" tradename registration and renewal, in which Cuban national had interest, despite pendency of Cuban embargo, did not apply to present case; (2) Cuban embargo regulations precluded recognition, under General Interamerican Convention for Trade Mark and Commercial Protection (IAC), of assignment of United States trademark from agency of Cuban government that confiscated property of original owner; (3) assignee could not bring injunctive action to assert rights under IAC; (4) tradenames would be deemed confiscated by Cuban government, even though there was claim that seized business had no value; (5) assignee lacked standing to sue under Lanham Act provision barring false advertising of origin of product; and (6) suit could not be brought under Trading With the Enemy Act.

Affirmed.

West Headnotes

[1] Trade Regulation ⚿98.1
382k98.1

Regulation authorizing transactions "related to" trademark registration and renewal, in which Cuban national has interest, did not support assignment of trademark held by Cuban national otherwise barred by Cuban embargo; under another regulation transactions, such as assignment involved in present case, occurring prior to issuance of authorizing regulation were unaffected, and assignment of trademark was not "related to" registration or renewal. Trading with the Enemy Act, § 5(b), as amended, 12 U.S.C.A. § 95a; Cuban Liberty and Democratic Solidarity Act of 1996, § 102(h), 22 U.S.C.A. § 6032(h); 31 C.F.R. §§ 515.502(a), 515.527(a)(1).

[2] Treaties ⚿6
385k6

Treaty will not be deemed to have been abrogated or modified by later statute unless such purpose on part of Congress has been clearly expressed.

[3] Treaties ⚿6
385k6

Treaty does not have to be expressly identified in statute before Congress will be deemed to have abrogated it; all that is required is a clear expression by Congress of purpose to override protection that treaty would otherwise provide.

[4] Trade Regulation ⚿98.1
382k98.1

Regulations implementing Cuban embargo precluded recognition, under General Inter-American Convention for Trade Mark and Commercial Protection (IAC), of purported assignment to third party of United States trademark "Havana Club," as brand designation for rum, from agency of Cuban government that confiscated property of original owner. Cuban Liberty and Democratic Solidarity Act of 1996, § 102(h), 22 U.S.C.A. § 6032(h); 31 C.F.R. §§ 515.502(a), 515.527(a)(1).

[5] Trade Regulation ⚿540.1
382k540.1

[5] Treaties ⚿12
385k12

[5] Treaties ⚿13

385k13

Claim that tradename rights under General Inter-American Convention for Trade Mark and Commercial Protection (IAC) were violated must be pursued through suit under Lanham Act provision governing implementation of trademark treaties; IAC tradename provisions were not self executing. Lanham Trade-Mark Act, § 44(b), as amended, 15 U.S.C.A. § 1126(b).

[6] Statutes ⚿131
361k131

Congress may amend substantive law in appropriations statute, as long as it does so clearly.

[7] Constitutional Law ⚿191
92k191

When an intervening statute authorizes or affects the propriety of prospective relief, application of the new provision is not retroactive.

[8] Trade Regulation ⚿620
382k620

Statute precluding assertion of tradename rights by way of international treaty, when confiscation was involved, could be applied to preclude holder of tradename that was confiscated by Cuba from seeking injunctive relief in American courts, even though tradename rights existed under General Inter-American Convention for Trade Mark and Commercial Protection (IAC) prior to passage of statute. Lanham Trade-Mark Act, § 44(b), as amended, 15 U.S.C.A. § 1126(b); Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, § 211(b), 112 Stat. 2681.

[9] Trade Regulation ⚿69.1
382k69.1

Statute, providing that treaty rights in tradenames obtained through confiscation could not be enforced, would not be interpreted to allow for implied exception when tradename was abandoned. Lanham Trade-Mark Act, § 44(b), as amended, 15 U.S.C.A. § 1126(b); Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, § 211(b), 112 Stat. 2681.

[10] Trade Regulation ⚿137
382k137

Tradenames would be deemed "confiscated" by Cuban government, for purposes of statute precluding enforcement of treaty rights when property in question was "confiscated," when government seized business using tradenames without paying anything to owner, even if business did not have any net value at time of confiscation. Lanham Trade-Mark Act, § 44(b), as amended, 15 U.S.C.A. § 1126(b); Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, § 211(b), 112 Stat. 2681; 31 C.F.R. § 515.336.

[11] Trade Regulation ⚿870(1)
382k870(1)

To establish standing to bring Lanham Act claim for false advertising, claimant must demonstrate a reasonable interest to be protected against the advertiser's false or misleading claims, and a reasonable basis for believing that this interest is likely to be damaged by the false or misleading advertising. Lanham Trade-Mark Act, § 43(a)(1), as amended, 15 U.S.C.A. 1125(a)(1).

[12] Trade Regulation ⚿870(1)
382k870(1)

In order to have standing to bring false advertising claim, under Lanham Act, there must be potential for commercial or competitive injury. Lanham Trade- Mark Act, § 43(a)(1), as amended, 15 U.S.C.A. 1125(a)(1).

[13] Trade Regulation ⚿870(1)
382k870(1)

Amendments to Lanham Act, which included statement that no amendments were to be regarded as limiting or extending applicable decisional law, did not preserve original language allowing suit under false advertising provision by person doing business in locality falsely indicated as origin of goods, when there were no cases interpreting provision in question. Lanham Trade-Mark Act, § 43(a)(1), as amended, 15 U.S.C.A. 1125(a)(1); § 43(a)(1), 15 U.S.C. (1946 Ed.) § 1125(a)(1).

[14] Trade Regulation ⚿870(1)
382k870(1)

Cuban producer of rum failed to establish competitive injury, as required to maintain false advertising claim under Lanham Act, when it claimed that American producer's use of name "Havana Club" suggested Cuban source for its rum and harmed producer's sales of rum to Americans visiting Cuba. Lanham Trade-Mark Act, § 43(a)(1), as amended, 15 U.S.C.A. 1125(a)(1).

[15] Trade Regulation ⚷870(1)
382k870(1)

Cuban producer of rum failed to show competitive injury, as required for maintenance of false advertising claim under Lanham Act, as result of competitor's sales within United States of rum under name "Havana Club," allegedly communicating false suggestion that rum was made in Cuba; producer was barred by Cuban embargo from selling any rum in United States, precluding claim of any harm, and possibility of rescission of embargo was too remote to be factor in present case. Lanham Trade-Mark Act, § 43(a)(1), as amended, 15 U.S.C.A. 1125(a)(1).

[16] Trade Regulation ⚷69.1
382k69.1

Provision of Trading with the Enemy Act, allowing for enemies of United States to maintain suits seeking injunctions protecting their trademark rights, did not allow for suit by Cuban producer of rum seeking to prevent American producer from selling product under name "Havana Club"; there was no state of war between United States and Cuba, and existence of Cuban embargo was insufficient under Act. Trading with the Enemy Act, § 10(g), 50 App.U.S.C.A. § 10(g).

[17] Trade Regulation ⚷870(1)
382k870(1)

Cuban manufacturer or rum did not have standing to bring unfair competition claim, under Lanham Act, against American producer using label suggesting that its rum was produced in Cuba. Lanham Trade-Mark Act, § 44(h), as amended, 15 U.S.C.A. 1126(h).

***119** Charles S. Sims, New York, N.Y. (Joshua J. Pollack, Jenifer Paine, Proskauer Rose LLP; Michael Krinsky, Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C., New York, N.Y., on the brief), for plaintiffs- appellants.

William R. Golden, Jr., New York, N.Y. (Michelle M. Graham, Margaret Ferguson, Scott H. Mandel, Kelley Drye & Warren LLP, New York, N.Y., on the brief), for defendants-appellees.

(Mark Traphagen, Brett G. Kappel, David C. Quam, Marinn F. Carlson, Powell, Goldstein, Frazer & Murphy, Washington, D.C., submitted a brief for amicus curiae Organization for International Investment).

Before: WINTER, Chief Judge, NEWMAN, and SOTOMAYOR, Circuit Judges.

JON O. NEWMAN, Circuit Judge:

This appeal, raising issues concerning the Cuban embargo, arises from a dispute between two rum producers over the rights to the "Havana Club" trademark and trade name. Havana Club Holding, S.A. ("HCH") and Havana Club International, S.A. ("HCI") appeal from the June 28, 1999, judgment of the United States District Court for the Southern District of New York (Shira A. Scheindlin, District Judge), dismissing trademark, trade name, and false advertising claims against Defendants-Appellees Bacardi & Company Ltd. and Bacardi-Martini USA, Inc. We conclude that the Cuban embargo barred assignment to HCH of the "Havana Club" trademark registered in the United States, that we are precluded by statute from enforcing whatever rights HCI might have to trade name protection under the General Inter-American Convention for Trade Mark and Commercial Protection, and that HCI lacks standing to assert its false advertising and unfair competition claims under the Lanham Act. We therefore affirm.

Background

Plaintiff-Appellant HCI is a joint stock company organized under the laws of Cuba, with its domicile and principal place of business in Cuba. Plaintiff-Appellant HCH, a Luxembourg corporation, owns the "Havana Club" trademark in certain countries outside the United States. Defendant-Appellee Bacardi & Company is a corporation organized in Liechtenstein and headquartered in the Bahamas, and Defendant-Appellee Bacardi-Martini USA is a Delaware corporation (collectively "Bacardi"). Defendant Galleon S.A. has merged into Bacardi & Company.

Before the Cuban revolution, Jose Arechabala, S.A. ("JASA"), a Cuban corporation owned principally by members of the Arechabala family, produced "Havana Club" rum and owned the trademark "Havana Club" for use with its rum. JASA exported its rum to the United States until 1960, when the Cuban government, under the leadership of Fidel Castro, seized and expropriated JASA's assets. Neither JASA nor its owners ever received compensation*120 for the seized assets from the Cuban government.

The Cuban embargo. In 1963, the United States imposed an embargo on Cuba, reflected in the Cuban Assets Control Regulations ("CACR"), as amended, 31 C.F.R. §§ 515.101-515.901 (1999), promulgated pursuant to section 5(b) of the Trading with the Enemy Act of 1917, as amended, 12 U.S.C. § 95a ("TWEA"). In 1996, Congress enacted the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act ("LIBERTAD Act"), Pub.L. No. 104-114, 110 Stat. 785 (1996), which, among other things, codified the regulations implementing the Cuban embargo, see 22 U.S.C. § 6032(h). The Secretary of the Treasury has the authority to administer the Cuban embargo, which he has delegated to the Office of Foreign Assets Control ("OFAC"), see 31 C.F.R. § 515.802.

The trademarks and their assignment. From 1972 to 1993, Empresa Cubana Exportadora De Alimentos y Productos Varios ("Cubaexport"), a Cuban state enterprise, exclusively exported "Havana Club" rum, primarily to Eastern Europe and the Soviet Union. Cubaexport registered the "Havana Club" trademark with Cuban authorities in 1974 under Registration No. 110,353, and with the United States Patent and Trademark Office ("USPTO") in 1976 under Registration No. 1,031,651. In 1993, Cubaexport sought to reorganize and find a foreign partner for its "Havana Club" rum business. Havana Rum & Liquors, S.A. ("HR & L"), a newly formed Cuban company, entered into a joint venture agreement with Pernod Ricard, S.A. ("Pernod"), a French company distributing liquor internationally. Under a November 1993 agreement between Pernod and HR & L, HCI and HCH were formed. In an agreement dated January 10, 1994, Cubaexport assigned trademark Registration No. 1,031,651, the United States registration for the "Havana Club" trademark, to HR & L, and in a subsequent agreement dated June 22, 1994, HR & L assigned this trademark to HCH. In 1996, HCH renewed the United States registration of the "Havana Club" mark for a term of ten years.

In April 1997, Bacardi & Co. purchased the Arechabala family's rights (if any) to the "Havana Club" trademark, the related goodwill of the business, and any rum business assets still owned by the Arechabala family.

OFAC's actions concerning the assignments. After an October 5, 1995, application to OFAC for a "specific" license authorizing the 1994 assignments of the "Havana Club" trademark from Cubaexport to HR & L, and from HR & L to HCH, [FN1] OFAC, on November 13, 1995, issued to Cubaexport License No. C- 18147, which approved the two assignments and authorized all necessary transactions incident to the assignments of the mark.

> FN1. The CACR authorizes both "general" licenses, see 31 C.F.R. § 515.317, which permit classes or categories of transactions with Cuban nationals, see, e.g., id. § 515.542(a) (common carriers of mail), and "specific" licenses, see id. § 515.318, which require individualized determinations and approvals by OFAC, see, e.g., id. § 515.521 (authorizing specific licenses to unblock shares of qualifying United States permanent residents in "U.S.-located assets" of Cuban corporations).

However, on April 17, 1997, after the instant lawsuit was filed in the District Court, OFAC issued a Notice of Revocation, revoking License No. C-18147. The revocation notice stated:

> You are notified that, as a result of facts and circumstances that have come to the attention of this Office which were not included in the application of October 5, 1995, License No. C-18147 ... is hereby revoked retroactive to the date of issuance. The determination to revoke License No. C-18147 is made pursuant to § 515.805 of the Cuban Assets Control Regulations, 31 C.F.R. Part 515. Any action taken under this specific license from the date of issuance until now is null and void as to matters under the *121 jurisdiction of the Office of Foreign Assets Control.

The parties' sales of rum. Since 1994, HCI has exported rum under the "Havana Club" trademark under an exclusive license to that mark from HCH. From 1994 to 1998, HCI sold over 38 million bottles of "Havana Club" rum, with approximately 30 percent of the sales in Cuba--including sales to Americans traveling in Cuba--and the remainder exported principally to Spain, France, Germany, Italy, Canada, Mexico, Bolivia and Panama. Under travel regulations imposed by OFAC, the class of travelers permitted to visit Cuba may reenter the United States with up to $100 in Cuban-origin goods for personal use. Havana Club rum and cigars are the most popular items brought back.

Because of the Cuban embargo, however, HCI's "Havana Club" rum has never been sold in the United States. HCI intends to export its rum to the United States as soon as legally possible. HCI anticipates using its current marketing strategy of emphasizing the quality and character of its rum based primarily upon its Cuban origin. The label on HCI's "Havana Club" rum portrays the city of Havana and contains the phrase "El Ron de Cuba" ("The Rum of Cuba"). HCI's advertising also stresses the product's Cuban origin.

Beginning in 1995, Bacardi-Martini's predecessor-in-interest, Galleon S.A., produced rum in the Bahamas bearing the "Havana Club" name, and distributed sixteen cases of this rum in the United States. From May 1996 to August 1996, Bacardi distributed an additional 906 cases of "Havana Club" rum in the United States.

The pending lawsuit. In December 1996, HCH and HCI filed the instant action to enjoin Bacardi from using the "Havana Club" trademark, alleging violations of sections 32 and 43(a) of the Trademark Act of 1946 ("Lanham Act"), as amended, 15 U.S.C. §§ 1114, 1125(a). Among Bacardi's defenses was a claim that OFAC's specific license to HCH, authorizing the assignments of the U.S. trademark, was invalid because HCH obtained the mark by fraud. In March 1997, the District Court ruled that Bacardi lacked standing to challenge OFAC's specific license to HCH and that OFAC's decision to grant the specific license was unreviewable. See Havana Club Holding, S.A. v. Galleon, S.A., 961 F.Supp. 498 (S.D.N.Y.1997) (" Havana Club I ").

In August 1997, the District Court ruled that HCH had no rights to the "Havana Club" trademark because the specific license to assign the mark to HCH had been nullified by OFAC's revocation of the specific license and because the CACR's general license authority under 31 C.F.R. § 515.527(a) did not authorize the assignment. See Havana Club Holding, S.A. v. Galleon, S.A., 974 F.Supp. 302, 306-07 (S.D.N.Y.1997) ("Havana Club II "). [FN2] After rejecting the Appellants' claim of rights to the "Havana Club" mark, the Court granted the Appellants' motion to amend their Complaint to assert rights to the "Havana Club" trade name under sections 44(g) & 44(h) of the Lanham Act, as amended, 15 U.S.C. § 1126(g), (h), and Chapter III of the General Inter- American Convention for Trade Mark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907, 2926-30 ("IAC"). Both Cuba and the United States are signatories to the IAC. See IAC, 46 Stat. at 2907. The District Court subsequently dismissed several counter claims. See Havana Club Holding, S.A. v. Galleon, S.A., No. 96 CIV. 9655(SAS), 1998 WL 150983 (S.D.N.Y. Mar.31, 1998) ("Havana Club III ").

FN2. Although acknowledging that the nullification of the assignment caused the rights in the mark to revert to Cubaexport, the assignor, the District Court did not cancel the United States registration for "Havana Club" because Cubaexport was not a party to the litigation. See id. at 311-12.

During the bench trial, the District Court ruled that HCH, a Luxembourg corporation, ***122** could not claim rights to trade name protection under the IAC because Luxembourg was not a party to the IAC. See Havana Club Holding, S.A. v. Galleon, S.A., 62 F.Supp.2d 1085, 1089 (S.D.N.Y.1999) ("Havana Club IV "). After trial, the District Court ruled that it was prohibited from enforcing HCI's trade name rights under the IAC by section 211(b) of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Pub.L. No. 105-277, § 211(b), 112 Stat. 2681, 2681-88 (1998) ("Omnibus Act"), which Congress enacted on October 21, 1998. See Havana Club IV, 62 F.Supp.2d at 1091-95.

The District Court also ruled that HCI lacked standing to assert its claim under section 43(a) of the Lanham Act. HCI had alleged that Bacardi's use of the mark "Havana Club" and its label--which features a sketch of Malecon, a seafront boulevard in Havana--falsely designated Cuba as the place of origin of Bacardi's rum, when in fact Bacardi produced it in the Bahamas. The District Court held that HCI had no standing to pursue this claim, because the Cuban embargo prevented HCI from selling its rum in the United States, and thereby from suffering commercial injury because of Bacardi's actions. The District Court added, "Any competitive injury plaintiffs will suffer based upon their intent to enter the U.S. market once the embargo is lifted is simply too remote and uncertain to provide them with standing." Havana Club IV, 62 F.Supp.2d at 1099. An amended judgment was entered on June 28, 1999.

Discussion

I. Trademark

HCH contends that Bacardi infringed its rights to the "Havana Club" trademark registered in the United States. The basic issue on the trademark claim is whether HCH has any rights to the mark. Although HCH purported to acquire rights by assignments from Cubaexport to HR & L and from HR & L to HCH, HCH recognizes that to have enforceable rights in the United States, it must find authority for the assignment somewhere in United States law, because in the absence of such authority, the Cuban embargo renders null and void the transfer of trademark registrations in which a Cuban national or entity has an interest. [FN3]

FN3. Unless authorized, the Cuban embargo prohibits, with respect to property in which a Cuban national or entity has an interest, (1) "[a]ll dealings in, including, without limitation, transfers ... of, any property ... or evidences of ownership of property by any person subject to the jurisdiction of the United States"; (2) "[a]ll transfers outside the United States with regard to any property or property interest subject to the jurisdiction of the United States"; and (3) "[a]ny transaction for the purpose or which has the effect of evading or avoiding any of the prohibitions" above. 31 C.F.R. § 515.201(b), (c).
These prohibitions apply where a Cuban national or entity has an interest of "any nature whatsoever, direct or indirect," in the property transferred. Id. § 515.312. The embargo defines "property" to include trademarks, see id. § 515.311, and specifically defines "transfer" to include "the making, execution, or delivery of any assignment," id. § 515.310. Any transfer of property in violation of the Cuban embargo "is null and void and shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property." Id. § 515.203(a).

As authority for the assignments, HCH's Complaint in this litigation initially invoked the "specific" license issued by OFAC in November 1995, which "licensed" the assignments. However, after OFAC revoked the specific license in 1997, HCH has relied on the "general" licensing authority in 31 C.F.R. § 515.527. [FN4] Section 515.527(a) states:

FN4. The Appellants' initial brief in this Court implies some reliance on the special license by asserting that "cancellation of HCH's interest in the Registration" violates treaty rights under the IAC, see Brief for Appellants at 55, suggesting that the cancellation, if unlawful, leaves the special license in force. We consider the IAC issue below. However, the reply brief unequivocally asserts, "The core issue is whether the CACR general license covers the transfer...." Reply Brief for Appellants at 26.

> *123 Transactions related to the registration and renewal in the United States Patent and Trademark Office ... in which ... a Cuban national has an interest are authorized.

31 C.F.R. § 515.527(a)(1) (emphasis added). This provision was added in 1995, more than a year after HCH became the assignee of the "Havana Club" trademark. See Certain Transactions With Respect To United States Intellectual Property, 60 Fed.Reg. 54,194, 54,196 (1995). HCH contends that, even though OFAC revoked the specific license to assign the "Havana Club" trademark, the assignments remain valid under the general authorization of section 515.527(a)(1) as transactions "related to" the registration and renewal of a trademark. HCH also contends that if section 515.527(a)(1) is not construed to authorize the assignments, HCH will be denied treaty rights protected by the IAC. We disagree with both arguments.

[1] (a) Whether the CACR prohibit the assignments. Before considering the meaning of section 515.527(a)(1), we encounter an express prohibition against HCH's claim set forth earlier in Subpart E of Part 515, [FN5] which contains section 515.527(a)(1). Section 515.502(a) provides:

FN5. The CACR constitute Part 515 of Chapter V (Office of Foreign Assets Control, Department of the Treasury) in Subtitle B of Title 31 of the Code of Federal Regulations.

> No ... authorization contained in this part ... shall be deemed to authorize or validate any transaction effected prior to the issuance thereof, unless such ... authorization specifically so provides.

31 C.F.R. § 515.502(a) (emphasis added). The assignments for which HCH claims to find authorization in section 515.527 were "effected" in 1994, prior to the issuance of section 515.527 in

1995, see 60 Fed.Reg. at 54,196 (effective Oct. 17, 1995), and section 515.527(a)(1) does not "specifically so provide[ ]" for authorization of transactions that occurred prior to its issuance. Therefore, whether or not section 515.527(a)(1) might be interpreted to authorize assignments occurring after its effective date, this provision cannot authorize the 1994 assignments of the "Havana Club" trademark to HCH. [FN6]

FN6. If HCH were to meet the obstacle of section 515.502(a) by obtaining assignments of the "Havana Club" trademark from Cubaexport now (after issuance of section 515.527(a)(1)), it would encounter the further obstacle of section 211(a)(1) of the Omnibus Act, discussed below, which, without any issue as to retroactivity, would prohibit future assignments of confiscated trademarks without the consent of the original owner.

Even if section 515.502(a) were not an obstacle, we would not accept HCH's argument that section 515.527(a)(1) should be interpreted to authorize the 1994 assignments as transactions "related to" a trademark renewal. Although phrases like "related to" are properly given a broad meaning in some statutes and regulations, see, e.g., Shaw v. Delta Air Lines, Inc., 463 U.S. 85, 96-97, 103 S.Ct. 2890, 77 L.Ed.2d 490 (1983) (determining that a state law "relates to" employee benefit plans for purposes of ERISA preemption under 29 U.S.C. § 1144(a)), the context in which the phrase is used illuminates its meaning. In Shaw, the ERISA context and the congressional purpose to achieve broad preemption warranted a broad reading of the phrase. By contrast, the context here precludes a broad reading. Section 515.527(a)(1) creates an exception to the broad prohibitions of the Cuban embargo. If every assignment of a trademark, for which the registration was subsequently renewed, were considered a transaction "related to" trademark renewal, the exception created by section 515.527(a)(1) would swallow much of the general rule of the Cuban embargo prohibiting transfers of trademarks.

Even if the text of section 515.527(a)(1) arguably applied to the assignments at issue, OFAC, the agency that promulgated *124 the provision and that administers the Cuban embargo, interprets section 515.527 not to authorize assignments. R. Richard Newcomb, Director of OFAC, stated in a 1996 letter to Appellee's counsel that section 515.527

> allows only for the registration and renewal of intellectual property; § 515.527 does not convey to the registrant the authority to assign the registrant's interest in a patent, trademark, or copyright registered in the United States to another person. Such an assignment would require authorization by OFAC in the form of a specific license.... In the absence of OFAC authorization, the assignment of rights to the U.S.-registered trademark would be null and void.

Under this interpretation, only Cubaexport, the original registrant of the United States registration for the "Havana Club" trademark, has the authority to renew the "Havana Club" trademark, and a specific license is required in order to assign it. [FN7]

FN7. The Appellants inform us that HCH and HR & L have applied to OFAC for a second specific license, following revocation of the first specific license. See Reply Brief for Appellants at 31.

Article 11 of the IAC. HCH contends that failure to recognize its rights as assignee of the United States registration for the "Havana Club" trademark would nullify rights guaranteed by Article 11 of the IAC. Article 11 provides:

> The transfer of the ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

46 Stat. at 2922-24. Since the "Havana Club" mark registered in the United States was originally registered in Cuba and was transferred in accordance with Cuban law, Article 11 purports to assure that the transfer to HCH will be recognized in the United States. The disputed issue is whether the Cuban embargo has abrogated the rights that Section 11 of the IAC would otherwise protect.

[2][3][4] A "treaty will not be deemed to have been abrogated or modified by a later statute unless such purpose on the part of Congress has been clearly expressed." Cook v. United States, 288 U.S. 102, 120, 53 S.Ct. 305, 77 L.Ed. 641 (1933) (emphasis

added); see Trans World Airlines, Inc. v. Franklin Mint Corp., 466 U.S. 243, 252, 104 S.Ct. 1776, 80 L.Ed.2d 273 (1984); Chew Heong v. United States, 112 U.S. 536, 539-40, 5 S.Ct. 255, 28 L.Ed. 770 (1884). Although neither the CACR nor the LIBERTAD Act refers expressly to the IAC, the question of abrogation does not turn on whether the IAC has been expressly identified for abrogation. Congress is not required to investigate the array of international agreements that arguably provide some protection that it wishes to annul and then assemble a check-list reciting each one. What is required is a clear expression by Congress of a purpose to override protection that a treaty would otherwise provide.

With respect to the Cuban embargo, the purpose of Congress could not be more clear. Congress wished to prevent any Cuban national or entity from attracting hard currency into Cuba by selling, assigning, or otherwise transferring rights subject to United States jurisdiction. The CACR make this clear, and the LIBERTAD Act, by codifying the CACR, provides unmistakable evidence of congressional purpose. We must therefore accord primacy to the prohibition of the CACR that bars a Cuban national or entity from transferring a United States trademark.

HCH contends that since the "related to" phrase of section 515.527(a)(1) could be interpreted to authorize the assignments ***125** at issue, the interpretation favoring HCH should be adopted in order to avoid a conflict with section 11 of the IAC. We disagree. First, that argument fails to reckon with the absolute prohibition of section 515.502(a), which prevents section 515.527(a)(1) from validating assignments that were made before the issuance of the latter provision. Second, wholly apart from section 515.502(a), section 515.527(a)(1) cannot be interpreted as HCH contends without substantially undermining the CACR's general prohibitions, as applied to United States trademarks. Thus, we would reject HCH's interpretation even if we did not have the benefit of OFAC's interpretation. Third, even if the interpretation of section 515.527(a)(1) were fairly debatable, the interpretation of the provision given by the agency charged with enforcing the embargo is normally controlling. See Auer v. Robbins, 519 U.S. 452, 461, 117 S.Ct. 905, 137 L.Ed.2d 79 (1997) (agency interpretation of its own regulation is "controlling unless plainly erroneous or inconsistent with the regulation") (internal quotation marks omitted); cf. Paradissiotis v. Rubin, 171 F.3d 983, 987 (5th Cir.1999) (noting that OFAC's application of its own regulations deserves greater deference than under Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837, 104 S.Ct. 2778, 81 L.Ed.2d 694 (1984)); Consarc Corp. v. Iraqi Ministry, 27 F.3d 695, 702 (D.C.Cir.1994) (same). Whether or not deference to an administrative agency's interpretation of its own provisions would override treaty provisions in other contexts, we have no doubt that Congress, whose purpose we are ultimately obliged to follow on this issue, expects that OFAC's restrictive interpretation of section 515.527(a)(1) will override any conflicting treaty protection.

Moreover, in 1996, after OFAC promulgated section 515.527, Congress clearly expressed its intent to prohibit transfers of property, including intellectual property, confiscated by the Cuban government by enacting the LIBERTAD Act. Finding that the Castro government was "offering foreign investors the opportunity to purchase an equity interest in, manage, or enter into joint ventures" involving confiscated property in order to obtain "badly needed financial benefit, including hard currency, oil, and productive investment and expertise," 22 U.S.C. § 6081(5), (6), Congress established a civil remedy for any United States national owning a claim to "property" confiscated by the Cuban government after January 1, 1959, against "any person" who "traffics" in such property, id. § 6082(a)(1)(A), and broadly defined "property" specifically to include "trademarks," id. § 6023(12)(A). By doing so, Congress intended "to create a 'chilling effect' that will deny the current Cuban regime venture capital, discourage third-country nationals from seeking to profit from illegally confiscated property, and help preserve such property until such time as the rightful owners can successfully assert their claim," H. Rep. No. 104-202, at 25 (1996), reprinted in 1996 U.S.C.C.A.N. 527, 530 (emphasis added). In other words, Congress sought to discourage business arrangements like Cubaexport's joint venture with Pernod, the venture that led to both the creation of HCH and the assignments of a trademark confiscated by the Castro regime from JASA. [FN8]

FN8. We need not determine whether JASA abandoned the "Havana Club" mark by not renewing that mark with the USPTO after the United States imposed the Cuban embargo. We note, however, that in 1962, two years after Cuba expropriated JASA's assets, Congress amended the Lanham Act to allow applications for renewing registered trademarks to show that "any nonuse" of the mark "is due to special circumstances which excuse such nonuse and it is not due to any intention to abandon the mark." Act of Oct. 9, 1962, Pub.L. No. 87-772, § 5, 76 Stat. 769, 770.

By invoking the 1996 LIBERTAD Act as evidence of Congress's purpose to prohibit the assignments we do not retroactively *126 apply that Act to prohibit the assignments in this case. [FN9] The 1994 assignments are unauthorized because OFAC revoked the specific license for them and the alleged source of a general licensing authority for them is unavailing. The LIBERTAD Act is simply evidence of congressional purpose that the result we reach should prevail over any contrary arguments, including those based on the IAC.

FN9. Although a statute could be prospectively applied to bar an injunctive remedy with respect to a previously acquired property, it would arguably encounter retroactivity objections if applied, of its own force, to invalidate a prior acquisition. See generally Landgraf v. USI Film Products, 511 U.S. 244, 114 S.Ct. 1483, 128 L.Ed.2d 229 (1994).

In the same vein, we note that Congress has recently explicitly spoken to restrict the scope of section 515.527. Section 211(a)(1) of the Omnibus Act provides:

> Notwithstanding any other provision of law, no transaction or payment shall be authorized or approved pursuant to section 515.527 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, with respect to a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of the mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

112 Stat. at 2681-88. Section 515.527 has been amended to include this restriction. See 31 C.F.R. § 515.527(a)(2).

As with the LIBERTAD Act, we cite section 211(a)(1), not to apply its terms to invalidate the 1994 assignments (an arguably retroactive application), but only to indicate that interpreting section 515.527(a)(1) not to authorize the assignments fully vindicates Congress's purpose not to permit assignment of confiscated trademarks without the consent of the original owner. See West Virginia University Hospitals, Inc. v. Casey, 499 U.S. 83, 100, 111 S.Ct. 1138, 113 L.Ed.2d 68 (1991) ("Where a statutory term presented to us for the first time is ambiguous, we construe it to contain that permissible meaning which fits most logically and comfortably into the body of both previously and subsequently enacted law.") (emphasis added).

For all of these reasons, HCH has no enforceable rights to the "Havana Club" trademark.

II. Trade Name Protection Under the Inter-American Convention

[5] HCI contends that Bacardi infringed its rights under the IAC to protection of the "Havana Club" trade name. The IAC provides that any manufacturer "domiciled or established" in a signatory country that uses a particular trade name or commercial name may enjoin the use of that name in another signatory country that is "identical with or deceptively similar to" its trade name. IAC, art. 18, 46 Stat. at 2928-30. A trade or commercial name need not be a registered to be protected. See IAC, art. 14, 46 Stat. at 2926.

Rights to trade names and commercial names arising under treaties may be asserted under section 44(b) of the Lanham Act, which provides:

> Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party ... shall be entitled to the benefits of this section under the conditions expressed herein to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law....

15 U.S.C. § 1126(b). Section 44(g) of the Lanham Act adds, "Trade names or commercial names of persons described in subsection (b) of this section shall be protected without the obligation of filing or *127 registration whether or not they form parts of marks." Id. § 1126(g). The terms "trade name" and "commercial name" are defined as "any name used by a person to identify his or her business or vocation." Id. § 1127.

On October 21, 1998, before the bench trial in this case, Congress passed section 211 of the Omnibus Act, which provides in pertinent part:

(b) No U.S. court shall recognize, enforce or otherwise validate any assertion of treaty rights by a designated national or its successor-in- interest under sections 44(b) or (e) of the Trademark Act of 1946 (15 U.S.C. 1126(b) or (e)) for a mark, trade name, or commercial name that is the same as or substantially similar to a mark, trade name, or commercial name that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented.

(c) The Secretary of the Treasury shall promulgate such rules and regulations as are necessary to carry out the provisions of this section.

(d) In this section:

(1) The term "designated national" has the meaning given such term in section 515.305 of title 31, Code of Federal Regulations, as in effect on September 9, 1998, and includes a national of any foreign country who is a successor-in-interest to a designated national.

(2) The term "confiscated" has the meaning given such term in section 515.336 of title 31, Code of Federal Regulations, as in effect on September 9, 1998.

112 Stat. at 2681-88.

[6] Section 211(b) applies in this case. [FN10] This Court is a "U.S. court" under section 211(b). [FN11] HCI is a "designated national" under section 211(b) because HCI is organized under the laws of Cuba, is domiciled in Cuba, and has its principal place of business in Cuba. See 31 C.F.R. § 515.305 (defining "designated national" to mean "Cuba and any national thereof including any person who is a specially designated national").

FN10. Congress may "amend substantive law in an appropriations statute, as long as it does so clearly." Robertson v. Seattle Audubon Society, 503 U.S. 429, 440, 112 S.Ct. 1407, 118 L.Ed.2d 73 (1992). The Appellants argue that this Court must presume that Congress intended section 211(b) to expire at the end of the 1999 fiscal year because it did not clearly indicate its intent to permanently amend the law. We disagree. If Congress had intended section 211 to expire at the end of the fiscal year, section 211(c), which directs the Secretary of Treasury to promulgate rules and regulations to carry out its provisions, would have been superfluous.

FN11. It is unclear whether "U.S. court" in section 211(b) means only a federal court or any court in the United States that would otherwise have concurrent jurisdiction over Lanham Act claims, such as a state court, see Berlitz Schools of Languages of America, Inc. v. Everest House, 619 F.2d 211, 216 (2d Cir.1980). The term "U.S. court" closely resembles the term "court of the United States," which Congress has used to distinguish federal courts from other forums, especially in statutes that expressly identify both federal and state courts. See, e.g., 22 U.S.C. § 2459(a) ("no court of the United States, any State, the District of Columbia, or any territory or possession of the United States" may deprive a cultural or educational institution of any work of art of other object imported into the United States for exhibition if determined by the President to have cultural significance). Because the Cuban embargo significantly implicates United States foreign policy, however, it is unlikely that Congress intended to preclude the ability of plaintiffs to assert in federal court rights derived from property confiscated by Cuba, but preserve their ability to do so in state court. Because this Court is clearly a "U.S. court," we need not decide whether section 211(b) also precludes HCI from asserting its claims under the IAC in state court.

Applying section 211(b), the District Court ruled that it precluded HCI's assertion of treaty rights under sections 44(b) or (e) of the Lanham Act and thereby precluded HCI's claims under the IAC. HCI disputes this ruling on several ***128** grounds. HCI first argues that it does not need sections 44(b) and (e) of the Lanham Act to assert its rights under the IAC because upon ratification, the IAC became law in the United States without the aid of additional legislation. See Bacardi Corp. of America v. Domenech, 311 U.S. 150, 161, 61 S.Ct. 219, 85 L.Ed. 98 (1940). This argument presumes that when Congress enacted section 44(b) of the Lanham Act, it intended to incorporate into law only those treaties that were not self-executing at the time.

The original text of section 44(b) and the legislative history, however, suggest otherwise. When enacted in 1946, section 44(b) of the Lanham Act specifically incorporated the treaty rights of

[p]ersons who are nationals of, domiciled in, or have a bona fide and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial

> Property ... or (2) the General Inter-American Convention for Trade Mark and Commercial Protection ... or (3) any other convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition to which the United States is a party....

Trademark Act of 1946, ch. 540, § 44(b), 60 Stat. 427, 442 (emphasis added). [FN12] Although the Supreme Court had already ruled the IAC to be self-executing, see Bacardi Corp., 311 U.S. at 161, 61 S.Ct. 219, Congress specifically referred to the IAC in section 44(b) because Congress simply was not sure whether the trademark treaties had acquired the force of law. The Senate Report explained:

FN12. In 1962, Congress amended section 44(b) to exclude the references to the two specific treaties, see § 20, 76 Stat. at 774, presumably in an effort to "revis[e] the language to a more understandable form," S. Rep. No. 87-2107 (1962), reprinted in 1962 U.S.C.C.A.N. 2844, 2851.

> These conventions have been ratified, but it is a question whether they are self-executing, and whether they do not need to be implemented by appropriate legislation.
> Industrialists in this country have been seriously handicapped in securing protection in foreign countries due to our failure to carry out, by statute, our international obligations.

S. Rep. No. 79-1333 (1946), reprinted in 1946 U.S. Code & Cong. Serv. 1274, 1276. Accordingly, Congress intended the Lanham Act "[t]o carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled." Id. (emphasis added). Indeed, referring specifically to "inter-American conventions," Congress aimed to eliminate "these sources of friction with our Latin-American friends" and "facilitate mutual trade in this hemisphere" by ensuring the protection of their trademark rights in the United States. Id. [FN13] Therefore, HCI must assert its rights under the IAC pursuant to section 44(b) of the Lanham Act.

FN13. Cf. Vanity Fair Mills, Inc. v. T. Eaton Co., 234 F.2d 633, 641 (2d Cir.1956)(noting that in trademark dispute involving sales of allegedly infringing goods in Canada, the only rights plaintiff could assert under the International Convention for the Protection of Industrial Property "other than through § 44 of the Lanham Act ... are derived from ... Canadian law, and not from the fact that the International Convention may be a self-executing treaty which is a part of the law of this country") (emphasis added).

Second, HCI argues that, because HCI's rights to the "Havana Club" trade name existed before Congress enacted section 211(b), the District Court improperly applied section 211(b) retroactively. To determine whether section 211(b) may apply retroactively, we would normally first inquire "whether Congress has expressly prescribed the statute's proper reach." Landgraf v. USI Film Products, 511 U.S. 244, 280, 114 S.Ct. 1483, 128 L.Ed.2d 229 (1994). Since section 211 does not clearly indicate that it should be applied retroactively, ***129** the traditional presumption against retroactivity would likely apply. See id.

[7][8] In this case, however, we can apply section 211(b) to bar relief on HCI's trade name claim because when an "intervening statute authorizes or affects the propriety of prospective relief, application of the new provision is not retroactive." Id. at 273, 114 S.Ct. 1483 (emphasis added); see American Steel Foundries v. Tri-City Central Trades Council, 257 U.S. 184, 201, 42 S.Ct. 72, 66 L.Ed. 189 (1921) (applying Clayton Act to injunction entered before its enactment because "relief by injunction operates in futuro and the right to it must be determined as of the time of the hearing"); Duplex Printing Press Co. v. Deering, 254 U.S. 443, 464, 41 S.Ct. 172, 65 L.Ed. 349 (1921) (same); Salute v. Stratford Greens Garden Apartments, 136 F.3d 293, 298 n. 2 (2d Cir.1998) ("When an intervening repeal of a statute affects the propriety of prospective relief, a court should apply the law in effect at the time it renders its decision."). Because HCI seeks only injunctive relief, this Court can properly apply section 211(b).

[9] Third, HCI argues that section 211(b) does not apply when the trade name at issue has been abandoned. Section 211(b) precludes enforcement of rights under section 44(b) for a trade name "that was used in connection with a business or assets that were confiscated unless the original owner of such mark, trade name, or commercial name, or the bona fide successor-in-interest has expressly consented." 112 Stat. at 2681-88. By "confiscated," section 211(b) refers to the nationalization, expropriation, or other seizure of property by the Cuban Government on or after January 1, 1959. See 31 C.F.R. §

515.336. It is undisputed that JASA used the "Havana Club" name until the Cuban government expropriated the business in 1960 and has not expressly consented to HCI's use of the "Havana Club" name.

Nevertheless, HCI argues that JASA had abandoned its rights to the "Havana Club" trade name long before HCI started to use the name (as "Havana Club International") in 1994. Despite the lack of an explicit abandonment defense, HCI urges this Court to construe section 211(b) to include an abandonment exception because (1) interpreting section 211(b) otherwise would abrogate the IAC, and (2) abandonment, as a defense that arises out of common law, must not be presumed to be abrogated by section 211(b) absent express indication of Congress's intent to do so. However, we will not create an abandonment exception to section 211(b). Section 211(b) requires only that a trade name "was used" in connection with a confiscated business or asset, not that the trade name continues to be used. See United States v. Wilson, 503 U.S. 329, 333, 112 S.Ct. 1351, 117 L.Ed.2d 593 (1992) ("Congress' use of a verb tense is significant in construing statutes."). Moreover, Congress knows how to enact an abandonment defense; it has already provided conditions under which any trademark, service mark, collective mark, or certification mark shall be deemed abandoned. See 15 U.S.C. § 1127. It is not likely that Congress wished to disadvantage a company that understandably ceased to use its trade name after the confiscation of its business.

[10] Fourth, HCI argues that it should be allowed to prove that the "Havana Club" trade name was never confiscated. Section 211(d)(2), incorporating by reference 31 C.F.R. § 515.336, defines "confiscated," in pertinent part, as property nationalized, expropriated, or otherwise seized by the Cuban government on or after January 1, 1959, "[w]ithout the property having been returned or adequate and effective compensation provided," § 515.336(a)(1). See 112 Stat. at 2681-88. The District Court found that "all of JASA's assets were taken and that it received no compensation." Havana Club Holding IV, 62 F.Supp.2d at 1095 n. 8.

*130 HCI argues that it had no opportunity to conduct discovery to determine whether JASA had a positive net value at the time of expropriation, because Congress did not enact section 211 until well into the proceedings, and because the District Court implicitly denied its motion to conduct discovery on the matter by applying section 211.

We disagree with HCI's premise that no compensation is "adequate and effective" compensation under section 515.336(a)(1) where the confiscated business allegedly had no positive net value at the time of expropriation. The embargo's definition of confiscated property contemplates only three ways in which property expropriated by Cuba can avoid becoming classified as "confiscated." Cuba can either return the property, provide "adequate and effective compensation," or settle the property claim pursuant to an international claims settlement agreement or other mutually accepted settlement procedure. See 31 C.F.R. § 515.336(a). Where Cuba has not returned JASA's property, not made even a gesture toward compensation, and not settled the claim, the confiscation inquiry ends.

III. False Advertising

[11][12] HCI disputes the District Court's finding that it does not have standing to assert its "false advertising" claim. Section 43(a) of the Lanham Act provides:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or de vice, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with an other person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person ...
>
> shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1). To establish standing under section 43(a), the plaintiff must

> demonstrate a "reasonable interest to be protected" against the advertiser's false or misleading claims, and a "reasonable basis" for believing that this interest is likely to be damaged by the false or misleading advertising. The "reasonable basis" prong embodies a requirement that the plaintiff show both likely injury and a causal nexus to the false advertising.

Ortho Pharmaceutical Corp. v. Cosprophar, Inc., 32 F.3d 690, 694 (2d Cir.1994) (citations omitted). "Although a section 43 plaintiff need not be a direct competitor, it is apparent that, at a minimum, standing to bring a section 43 claim requires the potential for a commercial or competitive injury." Berni v. International Gourmet Restaurants of America, Inc., 838 F.2d 642, 648 (2d Cir.1988) (citations omitted); see, e.g., National Lampoon, Inc. v. American Broadcasting Cos., 376 F.Supp. 733, 746-47 (S.D.N.Y.) (publisher of National Lampoon magazine has standing to sue television network's use of part of its name on two television programs, in part because plaintiff "has begun production of programs for closed-circuit television and is negotiating for production of a special program" to sell to one of the television networks), aff'd, 497 F.2d 1343 (2d Cir.1974).

[13] This Court reviews de novo the District Court's determination of standing. See Devlin v. Transportation Communications International Union, 175 F.3d 121, 131 (2d Cir.1999). Contrary to the case law on standing under section 43(a), HCI first argues that to obtain standing, it must demonstrate only that Bacardi has falsely indicated the origin of its "Havana Club" rum as Havana, when in fact Bacardi produced its rum in the Bahamas. HCI ***131** points to the original language of section 43(a) of the Lanham Act, which provided:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin ... shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

60 Stat. at 441 (emphasis added). HCI argues that, by using the disjunctive "or," Congress contemplated that a plaintiff could sue under section 43(a) if it did business in the locality falsely designated as the origin of a particular good, regardless of whether that plaintiff was likely to be damaged by the false representation. Although Congress amended section 43(a) in 1988, the Senate Report stated that standing "should continue to be decided on a case-by-case basis, and that the amendments ... made to the legislation with respect to [this issue] should not be regarded as either limiting or extending applicable decisional law." S. Rep. No. 100-515, at 41 (1988), reprinted in 1988 U.S.C.C.A.N. 5577, 5604. Therefore, HCI argues, it has standing under the current version of section 43(a), because HCI does business "in the locality falsely indicated as that of origin" by Bacardi, namely, Havana.

We disagree. The Senate Report indicates that Congress intended not to alter the then "applicable decisional law" under section 43(a). Although numerous cases prior to 1988 recognized that standing under section 43(a) required demonstrable proof that a plaintiff would be likely to suffer damage as a result of false advertising, see, e.g., Johnson & Johnson v. Carter-Wallace, Inc., 631 F.2d 186, 190 (2d Cir.1980) ("[T]he likelihood of injury and causation will not be presumed, but must be demonstrated."), we have found no case decided before 1988 that recognized standing under section 43(a) based on HCI's interpretation of the pre-1988 version of section 43(a). Since no such case existed, Congress cannot be deemed to have left unaltered, and by implication recognized, HCI's theory of standing when it amended section 43(a) in 1988. The parties in the cases relied upon by HCI could have demonstrated likelihood of injury because they competed with each other in the same geographic area. See Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc., 633 F.2d 746, 748 (8th Cir.1980) (the Dakotas); Scotch Whiskey Association v. Barton Distilling Co., 489 F.2d 809, 811 (7th Cir.1973) (Panama, including Canal Zone).

[14] Second, to establish the likelihood of commercial injury for the purposes of standing, HCI argues that Bacardi's use of the "Havana Club" name will adversely affect HCI's current and future sales of its rum to U.S. visitors to Cuba. The fact that HCI sells to Americans traveling in Cuba, however, does not necessarily demonstrate the likelihood that the distribution of Bacardi's "Havana Club" rum in the United States will hurt HCI sales to those persons in Cuba. Although HCI presented consumer surveys that reported that "33% of Americans think that it is legal to sell rum from Cuba in the United States and 9% do not know whether it is legal or illegal," the District Court noted that "it is intuitively doubtful that these finding[s] would apply to U.S. travelers authorized to visit Cuba." Havana Club Holding IV, 62 F.Supp.2d at 1100 n. 11. We will not disturb this finding on appeal. A district court has broad discretion concerning the weight of particular evidence, including consumer surveys such as those

proffered here, see Schering v. Pfizer, Inc., 189 F.3d 218, 230 (2d Cir.1999); Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, 523 F.2d 1331, 1341 (2d Cir.1975), and its findings of fact are reviewed for clear error. In this case, the plaintiffs' consumer surveys drew their sample from across the United States, without attempting to control *132 for any likelihood that the participants would travel to Cuba. Under such circumstances, the District Court's finding that these surveys did not show consumer confusion among the relevant class of travelers was not clearly erroneous.

HCI further argues that this Court must presume harm because Bacardi intentionally copied the "Havana Club" label, citing Paddington Corp. v. Attiki Importers & Distributors, Inc., 996 F.2d 577, 586-87 (2d Cir.1993) ("Where a second-comer acts in bad faith and intentionally copies a trademark or trade dress, a presumption arises that the copier has succeeded in causing confusion."). However, Paddington and the other cases HCI cites are inapposite because they involve trademark claims, not false advertising claims.

[15] Third, HCI argues that the District Court erred in finding HCI's ability to enter the U.S. market to be too remote at this point to confer standing. Although this Court has conferred standing for section 43(a) claims based on a showing of potential commercial injury, not all potential commercial injuries are sufficient to confer standing. See, e.g., PDK Labs, Inc. v. Friedlander, 103 F.3d 1105, 1112 (2d Cir.1997) (hopes of holder of patent for weight loss method, who had marketed his product only to potential investors, to obtain FDA approval and then sell product to public too remote to confer standing to challenge defendant's advertising).

HCI characterizes its injuries as (1) the "lost ability to use the HAVANA CLUB name in the U.S. through Bacardi's accumulation of rights-by-use," (2) "loss of the key selling points in the U.S. of being the single source of both HAVANA CLUB rum and Cuban-origin rum," and (3) "damaged reputation of Cuban-origin rum," or more generally, "the imminent loss of their prime selling advantage." Brief for Appellants at 25. Even if HCI competes with Bacardi in markets elsewhere in the world, standing requires that HCI demonstrate at least potential commercial injury in the United States, because Bacardi sells "Havana Club" rum only in the United States. Because HCI's rum does not now compete with Bacardi's rum in the United States, HCI's alleged injury amounts to the present diminution in the speculative value of its sales of Cuban-origin rum in the United States market once the United States government removes the obstacle of the Cuban embargo.

That obstacle is formidable. The LIBERTAD Act not only codified the economic embargo of Cuba, see 22 U.S.C. § 6032(h), and strengthened its measures, see id. §§ 6033-6046, but also authorized the President to take steps to suspend the embargo only after determining that a "transition government in Cuba is in power," id. § 6064(a), and authorized the President to take steps to terminate the embargo only after determining that "a democratically elected government in Cuba is in power," id. § 6064(c). [FN14] At this time, the President has not determined that a "transition government," let alone a "democratically elected" government, exists in Cuba.

FN14. The Act defines "a transition government" in Cuba as one that has, among other things, legalized all political activity, released all political prisoners, publicly committed to organizing and timely implementing "free and fair elections," ceased interference with Radio Marti or Television Marti broadcasts, has publicly committed to and demonstrated progress in establishing an independent judiciary and allowing for the establishment of independent trade unions and independent social, economic, and political associations, and "does not include Fidel Castro or Raul Castro." 22 U.S.C. § 6065(a).

HCI points to recent efforts in Congress to pass legislation to lift portions of the Cuban embargo. However, by conferring standing to HCI based on its own prediction of Congress's actions, this Court would expand its authority well beyond any zone of twilight that might exist between legislative and judicial authority.

HCI also seeks to support standing by relying on G.H. Mumm Champagne v. Eastern Wine Corp., 142 F.2d 499 (2d *133(Cite as: 203 F.3d 116, *133) Cir.1944), and section 10(g) of the TWEA. Its arguments are unavailing. Mumm is a pre-Lanham Act action to enjoin trademark infringement and unfair competition, not a false advertising action, and its facts are readily distinguishable from those in this case. In Mumm, a French company had registered the trademarks at issue and had contracted with a Delaware company in 1938, prior to World War II, to sell only the French company's champagne. [FN15] See id. at 500. After upholding the Delaware company's entitlement to an injunction, the Court considered "the rather barren question" whether to uphold its right to obtain an injunction on behalf of the French company, "barren, because one injunction is as good as two." Id. at 502. Despite the lack of significance of an injunction on behalf of the French company, we affirmed it because the infringement risked lost sales in the United States by the Delaware company, which might have resulted in lost profits by the French company "provided sales lost by the Delaware company resulted in sales lost by it to that company." [FN16] Id. In the pending case, however, unlike the French company in Mumm, HCI has no United States partner selling its product in the United States, and therefore no loss of profits derived indirectly from lost sales in the United States will occur.

FN15. In the contract, the French company agreed that it alone would protect and enforce its trademark rights in the United States. See id. at 502. Soon thereafter, as the district court in Mumm explained, France was "occupied by the armed forces of the German Reich.... Because of conditions due to the existing war, the [Delaware company] is, and has been, unable to communicate with the [French company]." G.H. Mumm Champagne v. Eastern Wine Corp., 52 F.Supp. 167, 169-70 (S.D.N.Y.1943). Observing that the war had made "impossible the performance of that promise" by the French company to protect its marks, we construed the contract to authorize the Delaware company, under those circumstances, to seek to enjoin trademark infringement on the French company's behalf. Mumm, 142 F.2d at 502. Although we referred to sections 10(g) and (h) of the TWEA, 50 U.S.C. app. § 10(g), (h), we did so only to note that the TWEA did not preclude the Delaware company's limited authority under the contract to seek to enjoin trademark infringement on the French company's behalf. See Mumm, 142 F.2d at 503.

FN16. Whether the possibility of lost profits by the French company might have resulted from loss of an increase in its account with the Delaware company as the latter depleted its stock of pre-war imported champagne, or from some other arrangement is not indicated in the Court's opinion.

[16] Nor does section 10(g) itself aid HCI. Section 10(g) provides that "[a]ny enemy, or ally of enemy, may institute and prosecute suits in equity ... to enjoin infringement of letters patent, trade-mark, print, label, and copyrights in the United States owned or controlled by said enemy or ally of enemy, in the same manner and to the extent that he would be entitled so to do if the United States was not at war." 50 U.S.C. app. § 10(g). HCI does not contend that it may sue under section 10(g); in the absence of a state of war with Cuba, HCI is not an "enemy." [FN17] Nevertheless, *134 it argues that if its section 43(a) claim is rejected for lack of standing, then section 10(g) could not be used by those plaintiffs within the section's coverage. The argument does not help HCI.

FN17. Section 10(g) applies to "[a]ny enemy[ ] or ally of enemy." When Congress enacted the TWEA, six months after the United States entered World War I, see Act of Oct. 6, 1917, ch. 106, 40 Stat. 411, "enemy" was defined to include any resident or corporation of, or any foreign resident or corporation doing business in, any nation "with which the United States is at war," § 2, 40 Stat. at 411. In 1933, Congress amended section 5(b) of the TWEA to authorize the President to act under section 5(b) "[d]uring time of war or during any other period of national emergency declared by the President," Act of Mar. 9, 1933, ch. 1, sec. 2, § 5(b), 48 Stat. 1, 1 (emphasis added). In 1977, Congress removed the President's authority to act under section 5(b) in a declared national emergency, see Act of Dec. 28, 1977, Pub.L. No. 95- 223, § 101(a), 91 Stat. 1625, 1625, but still permitted the President to continue to exercise the authorities conferred under section 5(b) "which were being exercised with respect to a country on July 1, 1977, as a result of a national emergency declared by the President before such date," § 101(b), 91 Stat. at 1625. This grandfather clause preserved the President's authority to maintain the Cuban embargo under section 5(b). See Regan v. Wald, 468 U.S. 222, 232, 104 S.Ct. 3026, 82 L.Ed.2d 171 (1984) . In contrast, Congress has never amended section 10(g) to authorize actions by persons or entities other than "[a]ny enemy, or ally of enemy."

In the first place, section 10(g) would not apply to a false designation of origin claim under section 43(a) of the Lanham Act. A plaintiff need not "own [ ] or control[ ]" a registered trademark to bring a section 43(a) action. Any rum producer selling its product in the United States can obtain standing to complain about Bacardi's allegedly false designation of origin as long as it can demonstrate the commercial injury required for an action under section 43(a).

Secondly, to the extent that HCI analogizes false designation claims to trademark infringement claims, section 10(g) provides no escape from traditional standing requirements. Section 10(g) permits a covered plaintiff to institute an infringement action "to the extent that he would be entitled so to do if the United States was not at war." Thus, a section 10(g) plaintiff would have to demonstrate the competitive injury necessary to establish standing for an infringement action in the absence of a wartime embargo. Although an embargo might make it more difficult for such a plaintiff to show such injury, a company in an embargoed country still might, in some circumstances, suffer sufficient risk of competitive harm, due to a defendant's infringement, to obtain an injunction. See Mumm, 142 F.2d at 502. In such circumstances, section 10(g) would allow the plaintiff to go forward with its action. However, where, as here, the plaintiff cannot establish injury for a false designation claim, comparison to section 10(g) affords it no refuge from traditional standing requirements.

IV. Unfair Competition

[17] Finally, HCI argues that it has standing to sue under section 44(h) of the Lanham Act for unfair competition. Section 44(h) provides

> Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.

15 U.S.C. § 1126(h). Rights under Section 44(h) are co-extensive with treaty rights under section 44(b), including treaty rights "relating to ... the repression of unfair competition." [FN18] Id. § 1126(b). See Toho Co. v. Sears, Roebuck & Co., 645 F.2d 788, 792 (9th Cir.1981) ("The grant in subsection (h) of effective protection against unfair competition is tailored to the provisions of the unfair competition treaties by subsection (b), which extends the benefits of section 44 only to the extent necessary to give effect to the treaties."); American Auto. Ass'n v. Spiegel, 205 F.2d 771, 774 (2d Cir.1953) ("Since [section 44(h)] is limited to 'person designated in subsection (b)', we look to that subsection to learn its scope.").

FN18. If the unfair competition claim were viable, it would not encounter the obstacle of section 211(b) of the Omnibus Act, which does not expressly preclude a court from enforcing treaty rights under section 44(b) relating to the repression of unfair competition.

HCI essentially argues that it must demonstrate less to obtain standing to assert its section 44(h) claim than is required for its section 43(a) claim. Article 21(c) of the IAC defines an act of "unfair competition" to include "[t]he use of false indications of geographical origin or source of goods, by words, symbols, or other means which tend in that respect to deceive the public in the country in which these acts occur." 46 Stat. at 2932. We note, however, that article 21 of the IAC authorizes the prohibition of its specified acts of unfair competition "unless otherwise effectively dealt with under the domestic laws of the Contracting States," Id. HCI's section 44(h) claim amounts to little more ***135** than the re-assertion of its section 43(a) claim because article 21(c) of the IAC prohibits a subset of the conduct already effectively prohibited under American law by section 43(a). We therefore conclude as a matter of law that HCI has failed to state a viable claim under section 44(h). [FN19]

FN19. HCI also argues that it has an independent basis for standing under article 23 of the IAC. See 46 Stat. at 2934 ("Repression of False Indications of Geographical Origin or Source"). HCI cannot rely on this provision in asserting its section 44(h) claim, however, because the IAC does not treat rights under article 23 as rights related to the repression of unfair competition. Because HCI never properly pled a cause of action invoking article 23 of the IAC, we decline to consider such a claim.

Conclusion

The judgment of the District Court is affirmed.

END OF DOCUMENT

Supreme Court of the United States

**HAVANA CLUB HOLDING, S.A., et al., petitioners,
v.
BACARDI & COMPANY LIMITED, et al.**

No. 99-1957.

Oct. 2, 2000.

Case below, 203 F.3d 116.

Motion of French National Committee of International Chamber of Commerce, et al., for leave to file a brief as amici curiae granted. Motion of Organization for International Investment, et al., for leave to file a brief as amici curiae granted. Petition for writ of certiorari to the United States Court of Appeals for the Second Circuit denied.

END OF DOCUMENT

MANDATE

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
UNITED STATES COURT HOUSE
40 FOLEY SQUARE
NEW YORK 10007

SDNY/NYNY
96-cv-9655
JUDGE SCHEINDLIN

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, Foley Square, on the 4th day of February, two thousand.

BEFORE: Hon. Ralph K. Winter
Chief Judge
Hon. Jon O. Newman
Hon. Sonia Sotomayor
Circuit Judges

#43

UNITED STATES COURT OF APPEALS
FILED
FEB 4 2000
SECOND CIRCUIT

Docket No. 99-7582

N.A. see #42

HAVANA CLUB HOLDING, S.A., HAVANA CLUB INTERNATIONAL, S.A.,

Plaintiffs-Counter-Defendants-Appellants,

-v-

GALLEON S.A., BACARDI-MARTINI USA, INC.,

Defendants-Counter-Claimants-Appellees,

GALLO WINE DISTRIBUTORS, INC., G.W.D. HOLDINGS INC., PREMIER WINE AND SPIRITS,

Defendants-Appellees.

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the Southern District of New York and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ORDERED, ADJUDGED, and DECREED that the judgment of said district court be and it hereby is affirmed in accordance with the opinion of this court.

A TRUE COPY
ROSEANN B. MacKECHNIE, Clerk
By: Richard Montano
Deputy Clerk
2/29/00

FOR THE COURT
Karen Greve Milton, Acting Clerk
By:
Beth J. Meador
Beth J. Meador
Administrative Attorney

MANDATE
FEB 25 2000